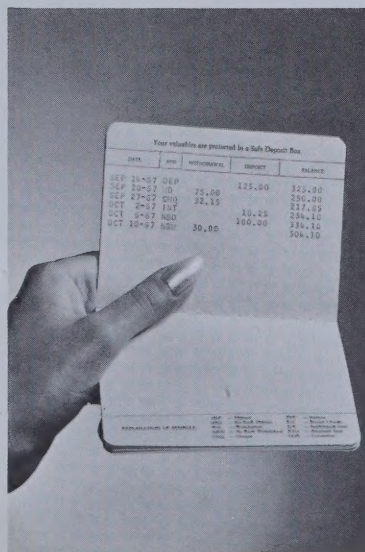
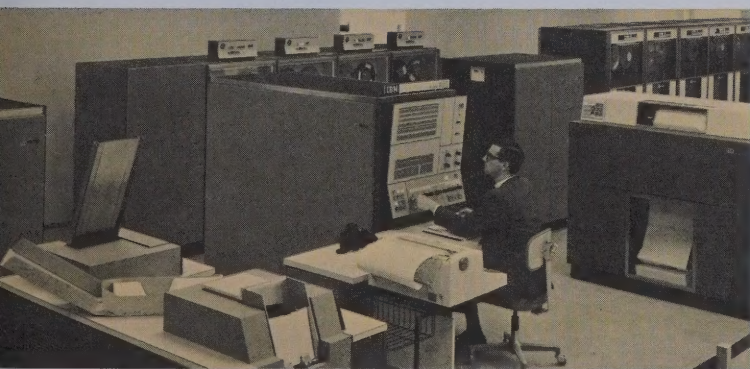


AR40

Free





HIGHLIGHTS

	<u>1967</u>	<u>1966</u>	<u>Increase or Decrease</u>
Total Business under Administration	\$ 269,564,000	\$ 240,525,000	\$ 29,039,000
Savings Deposits	73,299,000	68,608,000	4,691,000
Guaranteed Investment Certificates	99,057,000	85,731,000	13,326,000
Estates, Trusts and Agencies	86,852,000	76,186,000	10,666,000
Capital Funds	8,748,000	8,580,000	168,000
Net Operating Earnings	838,000	850,000	12,000
Net Operating Earnings Per Common Share	1.16	1.29	0.13
Net Earnings	587,000	490,000	97,000
Net Earnings Per Common Share .....	.78	.74	0.04
Dividends Declared Per Common Share	0.52½	0.52½	—

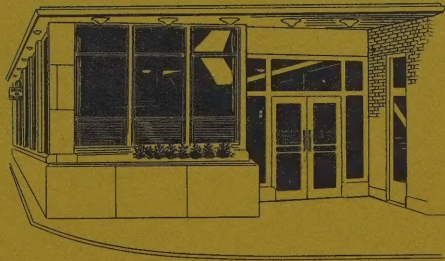
THE WATERLOO TRUST AND SAVINGS COMPANY



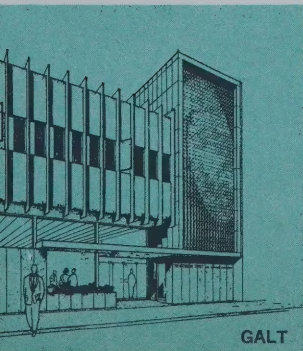
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A Brief History by Edna Staebler

FEB 28 1968



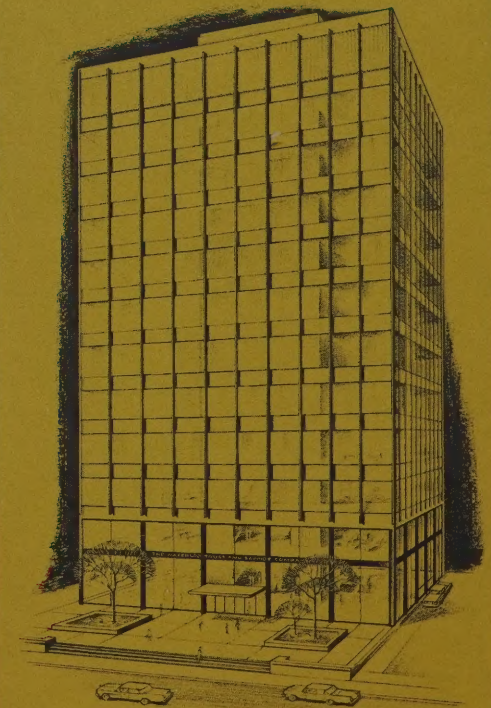
WATERLOO



GALT



PRESENT MAIN OFFICE - KITCHENER



PLANNED NEW MAIN OFFICE - KITCHENER

About the Author

EDNA STAEBLER

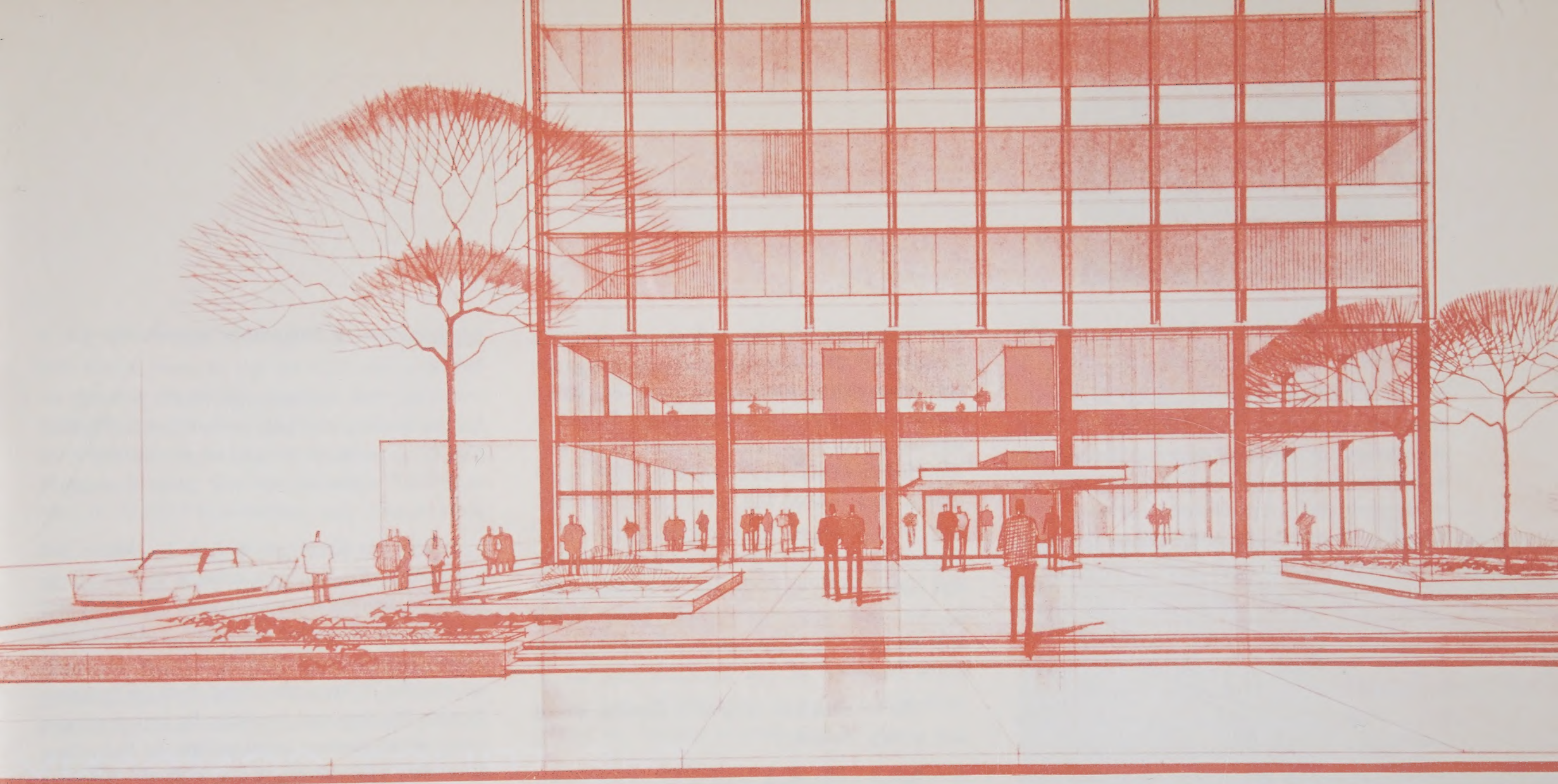
is an accomplished Canadian writer: her feature articles have appeared frequently in MacLean's Magazine, Chatelaine, other Canadian and American periodicals, and in text books for Canadian schools.

One of her stories on the Old Order of Mennonites of Waterloo County won the Canadian Women's Press Club award for outstanding journalism.

Mrs. Staebler's forebears were pioneers of Waterloo County, she was born in Kitchener and she lives there. After graduating from the University of Toronto, she worked for a short time as a ledger-keeper in The Waterloo Trust. She has always had a savings account there, is a modest shareholder, and has worked with the Company in the administration of her father's estate. Her familiarity with the services of the Trust Company accounts for her enthusiasm in writing its history.

THE TRUST COMPANY

A BRIEF HISTORY OF



When people in Waterloo County speak of The Trust Company they mean The Waterloo Trust and Savings Company. It is almost unrivalled, a financial institution unique in its field: no other in Canada has cultivated so intensively the area it serves; one person in every three living in Waterloo County has an account with the Company; over 60,000 customers have benefited from its diversified services.

The Trust Company is identified with the Waterloo County area. It was founded and directed by successful local business men who gave to it the imperturbable character of its friendly, enterprising and thrifty environment. Its growth, since 1913, from a small upstairs office to seven branches and a new \$2,000,000 main office 12 stories high, reflects the development and prosperity of the area to which it belongs.

THE WATERLOO TRUST AND SAVINGS COMPANY



THE TRUST COMPANY

“Watch this space, an important announcement will be made shortly.”

In 1913 this advertisement in local newspapers was expected to keep the people of Waterloo County in feverish suspense. It was the tantalizing way of preparing them for the announcement that a new financial institution, The Waterloo County Loan and Savings Company, would soon be ready to serve them.

Since the previous year the Company had been in the process of organization. Five Directors of one of Waterloo's life insurance companies — Thomas Hilliard, E. F. Seagram, Peter H. Sims, Simon B. Bricker, and Ford S. Kumpf — used to sit around after Board meetings and talk about finance. They had heard from their company's agents that loan and savings companies were doing a profitable business in some of the western provinces.

“Why not start a loan and savings company in Waterloo?” The question intrigued them.

They said the town looked pretty promising: it had 4500 inhabitants, a number of large new brick houses indicated that there was wealth, Waterloo had successfully launched four insur-

ance companies. A loan and savings company could benefit the whole county. The people in the area were mostly enterprising Germans, thrifty Mennonite farmers and careful, canny Scotsmen; they all saved money and no doubt would welcome an investment institution where they could deposit their savings and get more interest than they were paid in the chartered banks. They wanted nice homes in which to raise their families and a loan company could help to produce them by lending money on mortgages. Loans would help to build the urban communities and to improve the farms.

The five Directors decided to organize a loan and savings company.

Before application could be made for a provincial charter, it was necessary to have \$300,000 of subscribed capital with at least \$100,000 paid up. To cover the expenses of a stock-selling campaign, Mr. Hilliard, the President of The Dominion Life Assurance Company, called at the Waterloo branch of one of the banks and borrowed \$500.

After giving him the money, the bank Manager, Philip V. Wilson, a handsome, serious, young man, remarked casually that the new company

might present a favourable opportunity for a banker.

“Yes,” Mr. Hilliard said, “we'll probably be looking for someone later on in the year.” Speculatively, he stroked his neat beard. “In this town we'll need someone who can speak German; I don't suppose that you — — ?”

“No, I'm afraid not, sir.” P. V. Wilson had a shy smile. He had been brought up in Collingwood, an English community, and during his two years in Waterloo had not learned the German dialect that was spoken by so many of the workers and the farmers who came there on business. Despite this apparent handicap he had developed many sound business relationships; he had a fine, alert mind and was the treasurer of the Anglican Church where several of the promoters of the proposed company were members.

Early in 1913 Mr. Hilliard and Mr. Seagram asked Mr. Wilson if he would take charge of the Waterloo County Loan and Savings Company. All the required stock had not yet been sold and so the charter had not yet been granted, but they assured the young man it wouldn't be long before the organization was completed and they'd be in business — BIG BUSINESS!

P. V. Wilson had been with the bank for over twelve years; he had served it well in several small towns. Promotions for him had been constant; his future looked bright with the bank and he hated to leave it. But the challenge of the new venture appealed to him, and after thinking it over he decided to accept it.

During the next few weeks the required capital was subscribed. The new company's charter was issued on April 7th, 1913, and a permanent Board of Directors was elected with Thomas Hilliard as President. Mr. Wilson was given authority to prepare a place in which to do business; deposit slips and little red passbooks were printed.

The first office of the Company was a space partitioned off a hallway on the second floor of the Dominion Life Building on Erb Street. A short, makeshift counter with a wire wicket was put up adjoining a small private office. And that's all there was: no typewriters, no adding machines, no pretty stenographers.

Mr. Wilson confidently prepared his mysterious advertisements for the local papers. After a few days of rousing the public to breathless anticipation (he hoped), the announcement was

made that the new Waterloo County Loan and Savings Company would pay 4% interest on savings — computed on the daily balance — and would lend money on mortgages at 7%.

The opening of this bonanza was set for May 7, 1913.

The prospect greatly excited Mr. Wilson. As the only person on the staff he had doubts of his ability to handle the throngs he was sure would be running up the stairs with all their life's savings. Before opening the door to the public on that wonderful day he borrowed a few chairs from another office to accommodate those people not wanting to stand long in line.

At ten o'clock sharp he opened the door and looked for the crowd. It had not yet appeared. He waited. And waited. And waited.

By closing time at four o'clock all his doubts of managing a mob were dispelled. One account had been opened! It was in the name of The Christian Kumpf Estate and deposited by Ford S. Kumpf, a Company Director.

At the end of May there were only seventeen savings accounts, mostly opened by the Com-

pany's Directors and a few other people who worked in the building. Mr. Wilson had no difficulty in serving his clients or in obtaining a first shot balance for a total of \$3,240.

Determined that the month of June would be better, he didn't wait for depositors to come





to him with their savings. When his office hours were over he called on people he knew to solicit their business. By June 30th there were 66 accounts and \$19,978.

Ely Playford was then engaged to take charge of the office so that Mr. Wilson could get out during the day to discuss the Company with prospective clients. Since only two or three people owned automobiles in Waterloo at that time he walked wherever he went in the town. Sometimes he would hire a horse and buggy and go into the country to call on flourishing farmers or villagers, often enjoying a meal of schmier kase, summer sausage, and schnitz pie in the home of a Mennonite family while trying to persuade them that

The Waterloo County Loan and Savings Company was as strong as the Rock of Gibraltar.

Though the capital and other funds of the Company were being profitably invested, the makeshift counter, borrowed safe, and wire wicket that would-be depositors encountered when they came to the tiny office didn't give the impression that the new financial institution was very successful. Few fat prosperous business men — or thin ones either — considered that the extra 1% they could get on their savings was worth the labourious climb up the long winding stairway to the second floor cubbyhole.

In the fall of 1913 an opportunity came to buy the old Waterloo Post Office (on the site of the present Trust Company office) for \$8,000. The building needed renovations costing \$2,800, a sum the Directors thought was excessive. But when the company moved into its spacious ground-floor quarters they were sure that the public would now be convinced that their organization had substantial assets.

No blare of trumpets accompanied the Company's first annual balance sheet but Mr. Wilson assured the Directors that there was no reason

why the next year could not be one of progress. It was decided that if the Company were to gain stature it must open an office in nearby Berlin, which had recently become a city with a population of 18,000.

An office was rented in the Walper Hotel Block and advertisements in the papers announced that it would open for business on August 4th, 1914.

Britain's declaration of war on Germany had less significance for members of the Company than the opening of the new branch — until it became evident that the conflict was going to go on. Ely Playford joined the army. War made people cautious. They didn't apply for mortgages to build houses. Their savings dribbled into deposit accounts very slowly or were invested in Government War Loans, which were being promoted through the Company's offices. Debentures were issued and sold by the Company with 5% interest. By the time the war ended, the Company had 1800 more savings accounts, Berlin had the new name of Kitchener, German was heard less frequently in Waterloo, and the County was eager to get back to normal production in its industries and on its farms.

One day in 1918 Mr. Wilson met Lea Bauman on the street in Waterloo. "How much money are you earning?" he asked the affable, very young man.

Lea told him. "\$600 a year."

"Work for me and I'll give you \$700."

To Lea the extra \$100 seemed a fortune. He accepted it happily and soon found himself in the heavy bronze teller's cage in the Kitchener office.

In 1919 the abnormal increase in prices and wages that followed the war put The Waterloo County Loan and Savings Company in a peculiar position. The provincial law, at the time, limited total public funds to be received in deposits and debentures by a loan company to twice its paid-up capital and reserve funds; anything in excess of that amount had to be kept on deposit in a chartered bank. The Company could not remain in business if it had to inform the public that it could take no further deposits and it would certainly have been unprofitable to keep large sums on deposit in a chartered bank at 3% interest, as the law demanded, while paying 4% on savings and 5% on debentures.

A crusade to persuade the government to double the borrowing powers of the loan companies, begun by the Waterloo County company and supported by other loan companies, succeeded in having the legislation changed.

Waterloo County was prospering; there were good crops on the farms and plenty of jobs in the towns; people were building new houses and saving their money.

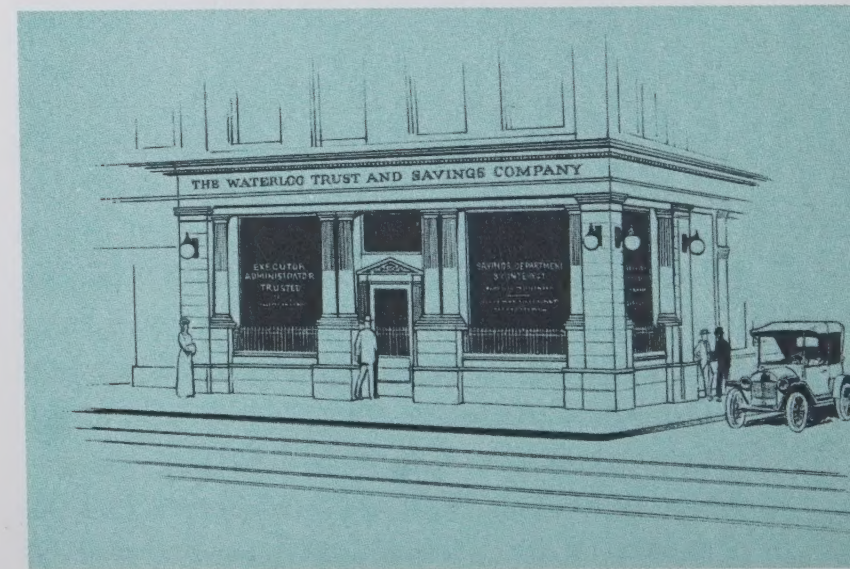
It was not long before the rapid growth of the deposit business of the Company again exhausted its borrowing powers.

The Directors of the Company called a meeting of the shareholders and suggested that the Loan Company be changed to a Trust Company, which would give it much wider and diversified scope and enable it to make greater progress. The shareholders agreed. A private bill was passed by the provincial government and, on May 4th, 1922, The Waterloo Trust and Savings Company came into existence.

The transformation from a loan to a trust company gave the Company higher status. Besides

operating the savings and mortgage departments it now had the power to help people plan their financial security, to look after their business affairs and investments while they were living, and to administer their estates when they died.

To provide space for the new trusts and estates department, and for future expansion, the Company had bought the Metcalfe Block at the corner of King and Foundry (now Ontario) Streets in Kitchener. It established its principal office there and Mr. Wilson left the Waterloo office to take charge.



To sustain its leadership and to expand its service in the county, The Waterloo Trust opened an office in Galt with Charles Mackenzie as Manager and J. W. Scott as Assistant; Louis L. Lang and George A. Dobbie of Galt were added to the directorate.

On August 1st, 1922, a trusteeship for \$6,300 was given to the Trust Company to manage and in October it had an estate of \$2,500 to administer. Hardly a whirlwind beginning for the Company with its increased powers! But a great influx of estates and trusts had not been expected: the public would have to be educated to use the new services.

Everyone in the company worked hard at publicizing the opportunities that the Company now could offer the people of Waterloo County. By the end of the year there were nine estates and trusts to look after. Mr. Scott's tact, interest, and special ability indicated that he would be an ideal Estates Manager and he was moved from Galt to the Kitchener office.

In 1929 the Waterloo Bond Corporation was formed by the Trust Company and opened for

business in the Kitchener office. It bought and sold high-grade securities, thus accommodating the public who wanted to invest money in bonds, debentures, and stocks.

In the same year an office was opened in Preston with L. A. Barrett as Manager; P. R. Hilborn was made a Director. The Company congratulated itself that it was now giving service to Waterloo County's four major urban communities.

Agents were appointed in New Hamburg, Wellesley, Elmira, and other villages. Ely Playford had a little Ford coupe and he and Albert

Steiss, the Heidelberg agent, would drive out to the country and sit on a stone-pile in a field or lean over the half-door of a cow-barn while they assured busy farmers that their money would be safe as a church in The Waterloo Trust.

Confidence in the Company was assured throughout the area. The Mennonite farmers bought investment certificates and came with their bonneted wives to deposit their savings. People walked into the offices from the streets saying, "My friend told me you did a good job for him and I'd like to give you my affairs to look after."



In November, 1929, the stock market crashed.

Within two weeks Canadian investors lost billions of dollars. Thousands of United States banks were unable to pay their depositors, millions of people lost money, and many ended their lives.

Clients of The Waterloo Trust had nothing to fear. Canadian banking and trust firms remained strongly protected by their capital and reserves.

Not many fortunes were wiped out in Waterloo County where investors had as a rule been cautious. But during the depression that followed the crash some businesses failed or carried on with skeleton staffs. Many Trust Company depositors lost their jobs and had to withdraw their savings to live. The Company had to foreclose a few mortgages — and Lea Bauman couldn't sleep at night when this became his unpleasant duty.

Despite the depression the Trust Company kept growing and needing more staff. Mr. Wilson, an astute judge of character, between 1929 and 1936 wisely chose a number of young men who later became executive officers holding prominent positions in the Company.

The Trust Company was considered a good place to work: it was interesting to be constantly meeting the public. The staff was well paid. The girls who had jobs there were regarded as exceptionally fine. In the main office there were twenty-five or thirty people — mostly young and unmarried — and they had fun like a family. They had dances on the second floor of the building; in summer they rented — then bought — a cottage on a small lake in the county where they swam and had picnics and corn roasts.

The head office of the Trust Company was frequently being improved. Private offices with mahogany panelling were added and general office space was enlarged until three floors of the building were occupied. An elevator was put in. One of the first machine accounting systems for a Canadian trust company was installed. Burglar alarm systems ensured the utmost in security, and one of the strongest public vaults in Western Ontario was constructed with safety deposit boxes for 2,000 clients.

In 1937 Thomas Hilliard, the first President of the Company, died at the age of 96. His death was followed a few days later by that of E. F.



Seagram, who had succeeded him as President in 1930. Ford S. Kumpf, an enthusiastic and hard-working Founder and Director, widely and affectionately known as "Mr. Waterloo," was made the third President.

The Board of Directors of the Company was composed almost entirely of Waterloo County men whose success and experience in their own line of business had enabled them to contribute much to the development of the Company. Their policy of cultivating thoroughly the rich field of the Waterloo County area was constantly maintained throughout the years. Better service could be given the public from one focal point near at hand where a team of Company executives could be called at any time to give immediate attention to the problems of a client.

The Waterloo Trust and Savings Company became known as one of the most soundly managed financial institutions in the country.

In 1939 came the Second World War.

Half of the Company's most able young men joined the armed services and went overseas. W. A. Bean became a brigadier, C.B.E., and E.D., F. M. Hearn became a lieutenant colonel, A. M. Wilson a squadron leader, G. A. Edwards a major, H. A. Syer a captain; others too became officers and received decorations in the navy, army, and air force. O. H. Rumpel, a naval lieutenant, was lost at sea.



Those who stayed home worked long hours of overtime. They helped with Victory Loan drives, the Red Cross and Volunteer Services, while they waited; tense, fearful, or grieving.

When the war ended there was great rejoicing. The men of the Trust Company who enlisted came back to their jobs. The cities and towns of Waterloo County attracted thousands of immigrants and people from all over Canada who wanted a good place to live. Hundreds of new homes were built with funds loaned by the Company. Incomes were high and people saved money.

The story of The Waterloo Trust and Savings Company following the war was one of consistent progress.

People approached the Trust Company of their own accord because they knew it was the best place to come to increase their savings and safeguard their finances.

To the savings department came little children to deposit their nickels and dimes, old men with their pension cheques, timid widows afraid their money wouldn't last through their lives, brides and grooms opening joint accounts, thrifty housewives, young wage-earners saving for Christmas or a vacation, impatient business men depositing capital reserves: people with little and people with much.

"Ye must have an awful big pile of money stashed away back in there some place," an old depositor said one day as he emptied his change purse in front of a teller.

"Oh no," the teller informed him. "As soon as people bring in their money our investment department buys securities that are authorized by the government because they are safe and can earn the money we pay you as interest."

"So that's how you do it." The old man seemed delighted to learn.

To the real estate department of The Waterloo Trust came people who wanted to buy, sell, or lease properties, and the owners of buildings who appointed the Trust Company to collect rents and handle the details of maintenance. Clients needing a loan to build or buy property consulted the mortgage department.

As government taxes on income and estates became more complicated and investment problems more burdensome each year, an increasing number of people were convinced that the services of a trust company were a necessity in the planning and administration of their financial affairs and estates. They came to the estates and trust department of the company to talk things over with men who were reserved, trustworthy, and rich in experience.

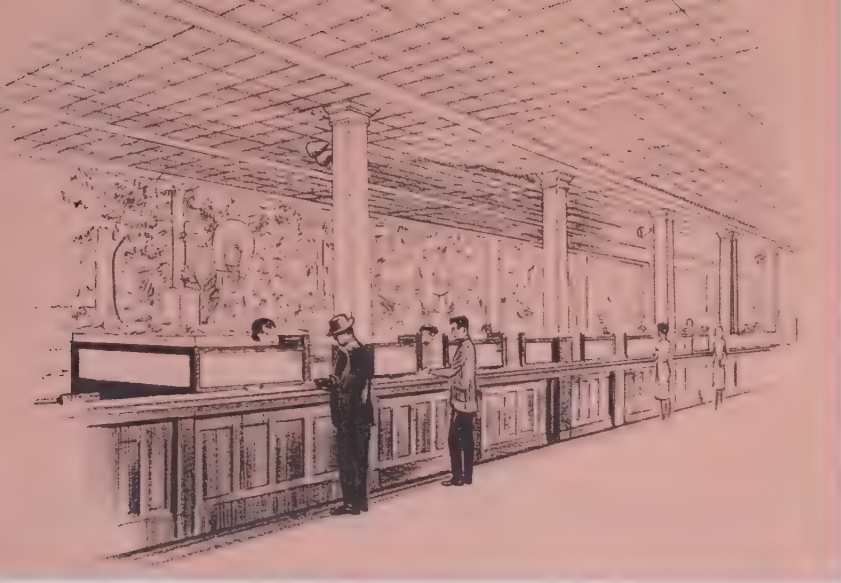
Besides having to give sympathetic attention to the problems of clients and beneficiaries, estates officers had to find expert management for manufacturing concerns, drug stores, garages, stock and fox farms, general insurance companies, and even to arrange the sale of the great landscape

paintings of Homer Watson of Doon, the famous Canadian artist. On several occasions estates men were called to the home of a deceased client before the undertaker. Sometimes they had to act as detectives to find the assets of an estate. It was known that an elderly woman who had long been ill, possessed diamonds and securities that could not be found when she died. Two estates officers noticed that in all the rooms of her house were screw drivers. "There must be a reason for these things lying around," one of the men said. Soon they discovered that the securities were hidden in the false bottoms of cupboards, shelves, and a fern stand.

But the diamonds evaded them. The old woman's bed was an old-fashioned brass one with hollow posts. "Let's take the knobs off these and have a look through." The first three posts yielded nothing and they almost gave up the search. In the fourth post were the diamonds, wrapped up in a handkerchief.

In 1950 P. V. Wilson retired from the general managership of the Trust Company to become the Executive Vice-President, and later the Honorary President, the position he still holds with his customary devotion to finance. To him is





given much of the credit for the sound growth of the Company in its formative years; his integrity, foresight, and ability to select dependable men for executive positions have earned him the respectful admiration of all his associates.

J. W. Scott succeeded Mr. Wilson as General Manager and in 1957 became President of the Company. His long experience at the head of the estates and trusts department and later as General Manager, well qualified him for the Company's highest position. His keen knowledge of finance has resulted in his election to the Boards of Directors of several important organizations, and his enthusiasm for sports, social service and church work has made him a popular local figure. For his fair and unruffled management of the affairs of the Company he is well loved by its staff. The business of The Waterloo Trust continues its rapid growth under his leadership.

W. A. Bean, whose forebears were among the first pioneer families of Waterloo County, was made General Manager in 1957 and Vice-President and General Manager of the Company in 1960. He has a Bachelor of Commerce degree, was a star of the University of Toronto rugby team, a brigadier during the war, President of

the Trust Companies Association of Canada; he is active in local organizations and a Director of University Boards, insurance companies and other corporations. He has worked in all departments of the Company and his associates say he is so energetic physically and mentally that it is difficult to keep up with him. A man with an enquiring mind, a capable financier and organizer, a tremendous worker, he serves the Trust Company with a dedication he inspires in all its executive officers.

The officers of the Trust Company are well known in their local communities through their work in churches, service clubs, chambers of commerce, schools, sports and cultural organizations. They are constantly being invited to address various groups to tell how estates can be planned to give the least trouble and best results.

The traditional thrift of the county is encouraged by the Trust Company: the penny bank in the schools is a Company project that teaches children to save. Every year 1000 elementary school children are given a tour of the Company's head office to learn of its function as well as something of the economic system and to enjoy a treat of doughnuts and cokes in the cafeteria.

The Company, always identified with Waterloo County, has done much to publicize the area and contribute to its culture. A mural by Selwyn Dewdney, illustrating the history of the county,

on the wall of the savings department of the King and Ontario Street office in Kitchener, is an epic decoration that attracts much attention. A handbook of suggested tours of the county with maps and pictures of old architectural gems by the painter John Martin, A.R.C.A., O.S.A., has been in such great demand that 50,000 copies have been distributed. A pioneer map of the county by artist Jerine Kinton has had great appeal. A calendar with a coloured photograph of a Waterloo County scene is sent out every year to each householder in the district.

As the population of the Waterloo County area keeps growing the Trust Company keeps enlarging and improving its buildings. The old Waterloo office was torn down and a new branch has been built in its place with the first drive-in teller's window in the area, a novelty and convenience greatly appreciated by people who approach it in cars or even in buggies. An impressively modern Galt office has been built; a new office has replaced the old one in Preston; a branch opened in the Kitchener-Waterloo Westmount district was shortly followed by the opening of an office in Elmira with a hitching-post at the rear to take care of the horses of its Old Order Amish and Mennonite clients. To satisfy the constant demand for Waterloo Trust service beyond Waterloo County, an office was started in Guelph in 1961.

Often more than 3,000 people a day enter the Trust Company's main office building. The rapid growth of business and staff have led to greatly over-crowded conditions. The Company has bought land at the corner of Water and King Streets in Kitchener and plans to erect a new main office building to meet the ever expanding needs of the Company and the demand in the city for select office space.

The new main office will cost \$2,000,000 and be the finest business block in Western Ontario. It is to be 12 stories high, to contain 100,000 square feet of office space, 3 high-speed elevators, room for the Company's electronic computers, drive-in teller facilities, and a parking garage in the basement. The Company, occupying the lower floors will be the principal tenant and eventual owner of the building. (The savings department at the corner of King and Ontario Streets will be maintained).

People in the Waterloo County area watch the development of the Trust Company with affectionate and proprietary interest. They feel it belongs to them. As it does. It is not owned by a group of financiers: it belongs to 960 local shareholders, but the majority of the people of the district who use its services consider that they have a vested interest.

The Trust Company is not like a business that has products to sell: its prime commodity is service to its clients and its community. It is not a money-making organization that pays fabulous dividends to its shareholders or enormous salaries to its executives. The fees that it charges are the same as those paid to private executors; the level is set by the surrogate court and has changed little in the past fifty years.

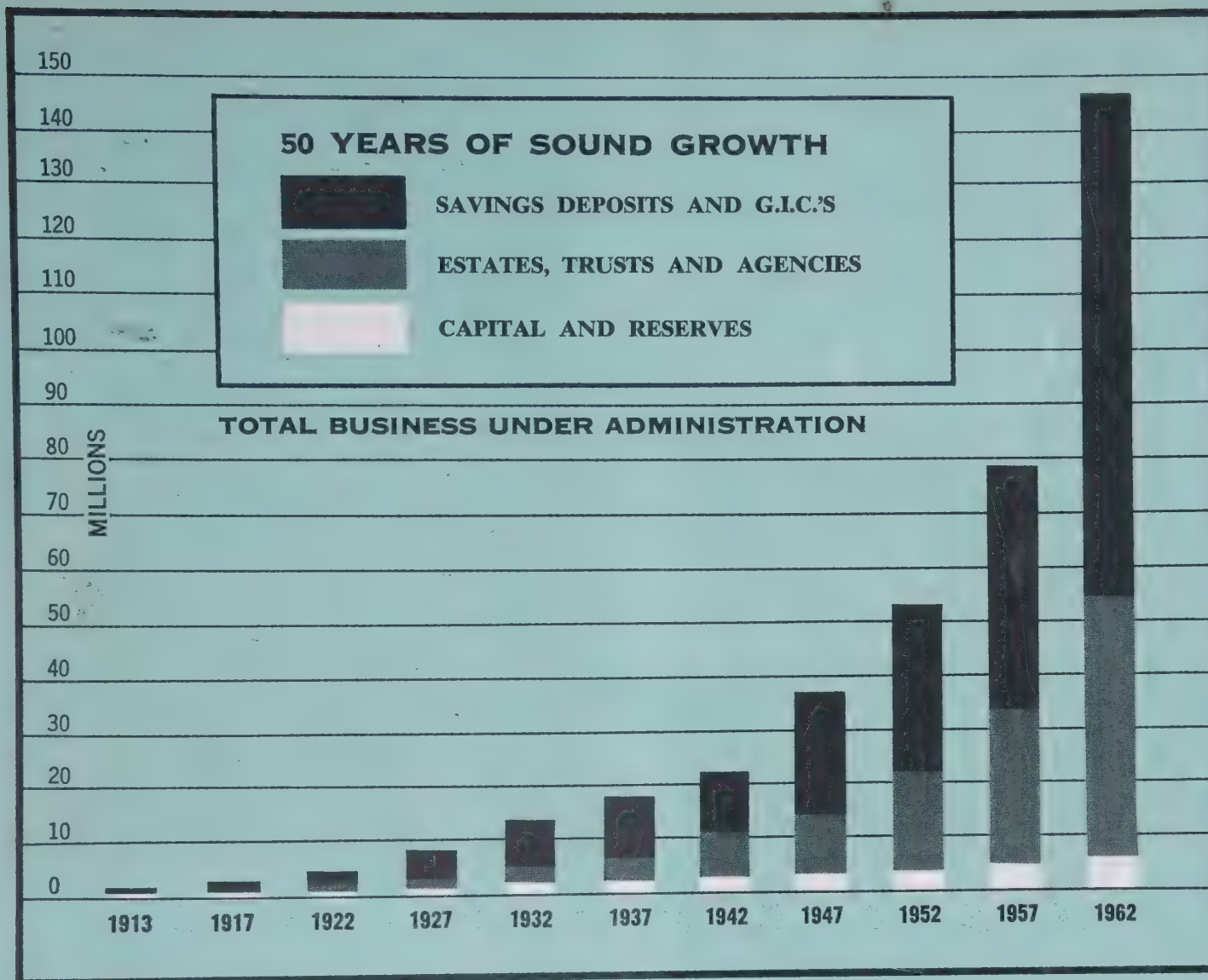
The phenomenal growth of the Trust Company has run parallel with the phenomenal development of the area it serves. When the Company started in 1913, Waterloo County had a population of 68,000; it now has 180,000 people and over 60,000 have accounts in The Waterloo Trust. From one man working alone behind a makeshift counter the Company has progressed to a staff of over 200 working in seven Company offices — and shortly in the new 12-story main office. From a first balance sheet of \$3,240 the total business of the Company has reached a peak of almost \$150,000,000.

The Waterloo Trust and Savings Company has achieved stature: its methods of operation are studied by other trust companies in the country; its officers are held in high repute in trust and financial circles in Canada, and its capital stock is in great demand on the market.



The Trust Company has developed character: aware of local tradition, but not bound by it, it is as careful, vigorous and progressive as the Mennonites, Germans, Scotsmen, and others who are on its staff and who pass through its doors to benefit from its services.

The Trust Company goes into the future with the same hope that local business men have for the advance of the communities' industries, with the same faith that the farmers of Waterloo County have in the power of growth in their fields, with the same consideration the Company has always had for its clients whom it regards not as numbers but PEOPLE.



The remarkable rate of growth of The Waterloo Trust during its fifty years of existence is reflected in the above chart.

Probably the prime reason for the accelerated growth in the Company's business has been the ready recommendation of its services to others by those who have become accustomed to dealing with this local friendly savings institution with the extensive facilities and many advantages it provides.

While major departments of business are reviewed in the adjoining columns the same steady expansion is also characteristic of the other departments. The Company's Investment Securities

affiliate (Waterloo Bond Corporation Limited — a member of the Investment Dealer's Association) and the Real Estate Department are experiencing considerably increased patronage.

Acting as Trustee for bond issues and Transfer Agent for stock issues is another important function of the Company.

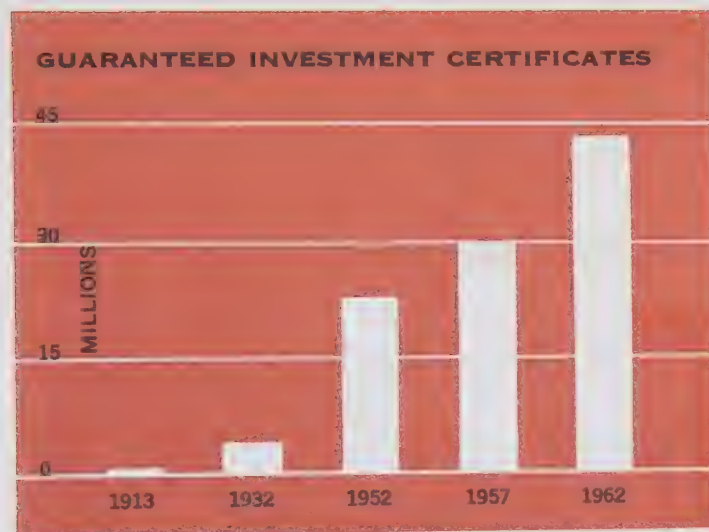
The Waterloo Trust — with a complete range of trust services and the distinctive benefits provided with a locally situated Main Office — looks to a promising future, confident that it may continue to merit the same strong local support and patronage that has been the very foundation stone of the company's first fifty years in business.



The marked increase shown in Savings Deposits is highly significant of the preference people display towards The Waterloo Trust as their Savings Headquarters. With over \$47,000,000 on deposit, 46,000 customers of this area are enjoying 3½ % interest on Savings Accounts and 4% interest on Deposit Accounts. Both the Company's popular Christmas Club and Vacation Club provide additional, automatic means for saving for special occasions.

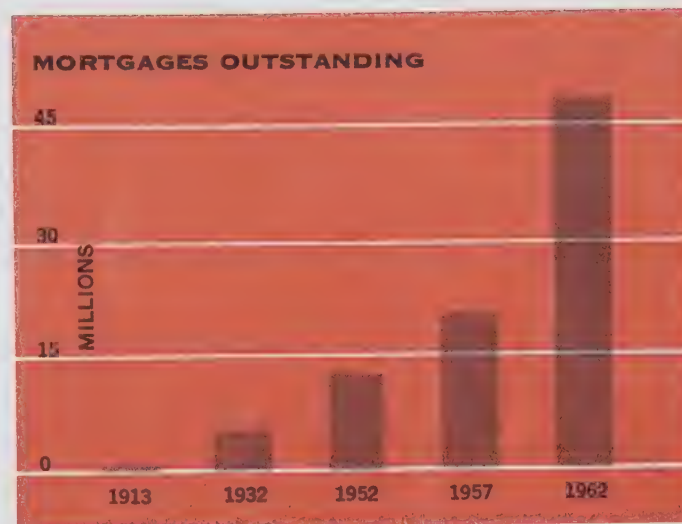
Longer office hours, liberal chequing privileges, postpaid deposit-by-mail facilities, drive-in-teller windows at Westmount and Waterloo offices, are added advantages offered depositors.

Interest commences from day the account is opened and on Savings Accounts is computed on minimum half-yearly balances; on non-chequing Deposit Accounts the interest is on minimum monthly balances, providing a more rapid build up through the effect of compound interest.



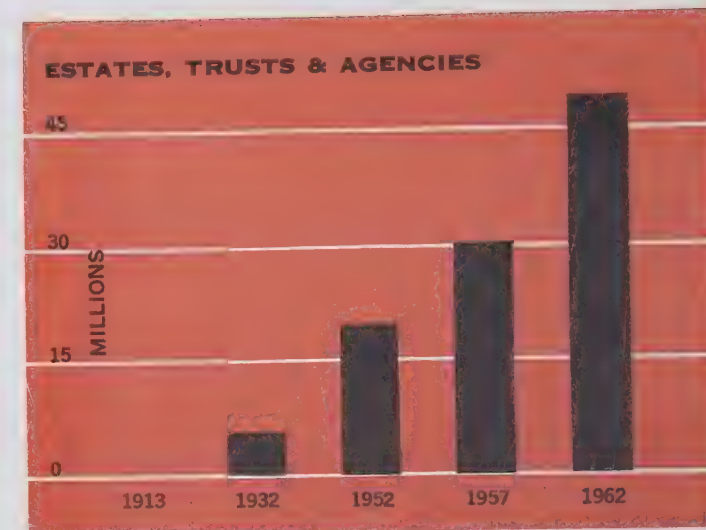
Guaranteed Investment Certificates have become the established investment medium for many thousands of persons. The substantial growth of this department of business, reflected in the above chart, is an indication of the popularity of the company's "G.I.C.'s."

Being a legal investment for Trustees they provide an excellent haven for estate funds and as well are ideally suited for Clubs, Societies and Corporations, besides individuals. Featuring higher interest, with terms of one to ten years, they offer full guarantee of principal and interest. Interest commences from date of purchase and Certificates may be jointly registered where desired. Interest is payable by cheque half-yearly or may be allowed to accumulate until maturity of the Certificate.



Mortgage lending has kept pace with the inflow of Deposit and Guaranteed Investment Certificate monies. The \$49,000,000 total in outstanding mortgages at the end of 1962 as depicted on the above chart can be translated into new commercial and residential construction, with accompanying pride of home ownership for many local families.

In addition to lending money on the security of first mortgages on approved properties, the Company makes loans secured by collateral in the form of high grade investment securities.



The substantial growth in the volume of estates and trusts that the company is now administering, is evidence of the marked trend towards corporate executorship with its increasingly recognized economies and advantages. From the large number of Will appointments the company now has on file as well as from the sharply increased use being made of Living Trusts for tax and family advantages, the future for this department of business is bound to be one of continued expansion. Also administered by the Estates and Trusts Department is a constantly increasing number of company Pension Plans and Personal Registered Retirement Savings Plans.

BOARD OF DIRECTORS

LOUIS L. LANG

Chairman of the Board, Galt, *Chairman of the Board, The Mutual Life Assurance Company of Canada*

P. V. WILSON

Honorary President, Waterloo, *Director, The Waterloo Mutual Insurance Company*

J. W. SCOTT

President, Kitchener, *Director, The Equitable Life Insurance Company of Canada*

P. R. HILBORN

Vice-President, Preston, *Director, The Equitable Life Insurance Company of Canada*

W. A. BEAN, C.B.E.

Vice-President and General Manager, Waterloo, *Director, The Mutual Life Assurance Company of Canada*

G. M. BRAY, Q.C.

Kitchener, *Bray, Schofield, Mackay and Lawrence*

D. W. BROWN

Kitchener, *President, General Spring Products Limited*

G. CHAPLIN

Galt, *President, Canadian General-Tower Limited*

GEO. H. DOBBIE

Galt, *President, Dobbie Industries Limited*

H. C. KRUG

Kitchener, *President, Doon Twines Limited*

H. S. MATTHEWS

Guelph

H. L. McCULLOCH

Galt, *Chairman of the Board, Babcock-Wilcox & Goldie-McCulloch Limited*

W. J. McGIBBON, Q.C.

Waterloo, *McGibbon, Harper and Haney*

JOHN. E. MOTZ

Kitchener, *President, Kitchener-Waterloo Record Limited*

C. A. POLLOCK

Kitchener, *President, Dominion Electrohome Industries Limited*

E. A. RIEDER

Kitchener, *President, The Mutual Life Assurance Company of Canada*

G. ERNEST ROBERTSON

Guelph, *Vice-Chairman of the Board, Sangamo Company Limited*

F. H. SCHNEIDER

Kitchener, *Chairman of the Board, J. M. Schneider Limited*

J. E. F. SEAGRAM

Waterloo, *President, Joseph E. Seagram & Sons Limited*

THOMAS B. SEAGRAM

Waterloo, *Director, Canada Barrels & Kegs Limited*

J. K. SIMS, Q.C.

Kitchener, *Sims, Bauer and Sims*

M. J. SMITH

Waterloo, *President, The Equitable Life Insurance Company of Canada*

A. S. UPTON

Kitchener, *President and Managing Director, The Dominion Life Assurance Company*

C. N. WEBER

Kitchener, *President, C. N. Weber Limited*

OFFICERS

EXECUTIVE OFFICERS

LOUIS L. LANG
Chairman of the Board

J. W. SCOTT
President

P. R. HILBORN
Vice-President

W. A. BEAN, C.B.E.
Vice-President and General Manager

F. M. HEARN
Deputy General Manager

R. W. AUGER
Assistant General Manager — Estates and Trusts

DEPARTMENTAL MANAGERS AND OFFICERS

D. G. STATTERS
Savings Supt. and Manager Savings Dept.

F. NEUFELD
Asst. Manager Savings Dept.

H. C. SHANTZ
Manager, Mortgage Dept. and Asst. Treasurer

H. P. VOGT
Asst. Manager Mortgage Dept.

C. T. GRAHAM
Manager Investment Securities

M. L. LAHN
Treasurer

R. C. DAHMER, C.A.
Comptroller

B. L. KLAHN
Chief Accountant

H. A. HENRICH
Manager Real Estate Dept.

A. M. WILSON
Manager Business Development

T. E. QUINLAN, B.A., LL.B.
Business Development

ESTATES AND TRUSTS DEPARTMENT

H. A. SYER
Manager

C. J. REMPEL
Asst. Manager

C. P. KROETSCH
Accountant

Trust Officers: H. H. GOULD J. R. HERMAN
 I. M. MARR H. W. RIEPERT

BRANCH OFFICERS

Galt:
J. T. OSBOURNE, *Manager*
C. W. STUART, *Asst. Manager*
A. H. PARSONS, *Manager Mortgage and Real Estate*
D. S. BARRIE, *Trust Officer*

Preston:
W. L. KNIGHT, *Manager*

Waterloo:
G. T. VOGT, *Manager*

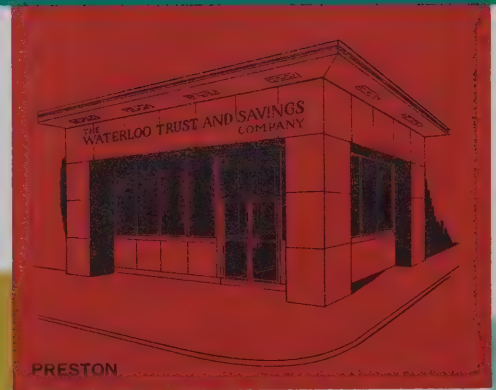
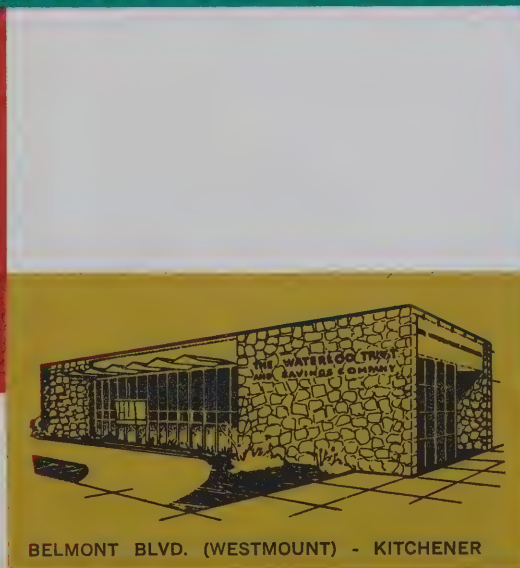
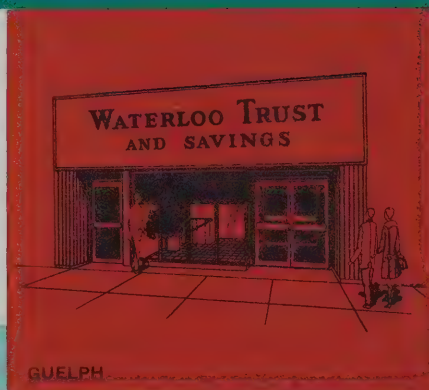
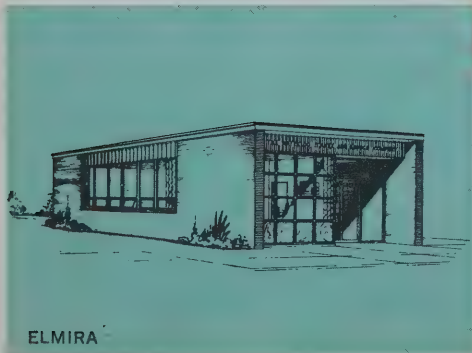
Westmount:
J. E. KOEHLER, *Manager*

Elmira:
E. S. GASCHO, *Manager*

Guelph:
W. L. McCORD, *Manager*

SUMMARY OF BUSINESS UNDER ADMINISTRATION

Fiscal Year	Total Business under Admin. \$	Estates, Trusts & Agencies \$	Deposits & Gtd. Inv. Rcts \$	Paid-up Capital \$	Reserve \$	Undivided Profits \$
1913	339,006		133,326	167,436	30,625	2,502
1914	566,330		208,797	300,458	40,000	2,251
1915	776,340		383,612	332,877	48,000	2,457
1916	1,076,679		616,838	383,780	60,000	1,878
1917	1,408,131		904,728	415,366	70,000	1,878
1918	1,846,040		1,256,336	481,802	85,000	1,532
1919	2,473,188		1,734,210	604,331	105,000	2,256
1920	2,789,917		1,770,927	638,764	120,000	2,497
1921	2,742,735		1,899,700	674,295	135,000	9,012
1922	3,084,193	73,648	2,060,694	707,920	105,000	3,821
1923	3,800,468	454,296	2,354,172	729,685	165,000	1,434
1924	4,349,262	498,073	2,879,206	750,000	180,000	2,608
1925	5,213,883	577,977	3,644,290	750,000	200,000	2,240
1926	6,269,930	851,490	4,416,936	750,000	225,000	2,129
1927	7,567,587	1,113,979	5,419,225	750,000	255,000	5,009
1928	9,003,539	1,546,219	6,373,799	750,000	300,000	7,271
1929	10,319,975	2,006,302	6,868,166	1,000,000	400,000	10,860
1930	11,331,038	2,331,475	7,503,039	1,000,000	450,000	11,524
1931	12,410,082	2,554,994	7,883,503	1,000,000	450,000	11,585
1932	13,014,028	3,493,138	7,828,638	1,000,000	400,000	12,251
1933	13,110,541	3,717,578	7,949,048	1,000,000	400,000	13,914
1934	14,136,735	4,295,292	8,393,563	1,000,000	400,000	14,168
1935	15,197,449	4,774,915	8,974,636	1,000,000	400,000	15,230
1936	15,906,286	4,806,993	9,644,467	1,000,000	400,000	16,159
1937	16,787,729	5,062,400	10,261,944	1,000,000	400,000	17,240
1938	18,443,825	6,548,750	10,419,265	1,000,000	400,000	20,810
1939	20,008,650	7,592,244	10,930,095	1,000,000	400,000	21,310
1940	20,535,321	7,991,367	11,035,954	1,000,000	400,000	22,999
1941	21,148,156	8,264,446	11,357,790	1,000,000	400,000	25,921
1942	21,521,390	8,660,552	11,343,440	1,000,000	400,000	28,398
1943	23,371,342	9,335,908	12,510,060	1,000,000	400,000	30,373
1944	25,568,740	9,801,220	14,260,420	1,000,000	400,000	32,101
1945	28,862,391	10,508,278	16,827,442	1,000,000	400,000	55,084
1946	34,390,009	11,401,479	20,777,113	1,500,000	525,000	101,734
1947	37,093,870	11,832,763	23,040,782	1,500,000	525,000	107,040
1948	40,289,677	13,053,191	24,997,068	1,500,000	525,000	117,617
1949	43,344,861	13,974,150	27,108,323	1,500,000	550,000	114,294
1950	45,803,287	15,608,540	27,903,131	1,500,000	600,000	100,275
1951	49,473,043	17,869,518	29,301,841	1,500,000	600,000	120,105
1952	52,281,918	19,275,220	30,632,681	1,500,000	650,000	102,116
1953	54,696,373	20,316,163	31,352,853	2,000,000	800,000	106,904
1954	60,685,905	22,156,178	35,435,040	2,000,000	900,000	40,148
1955	64,426,229	23,498,870	37,702,721	2,000,000	1,000,000	41,464
1956	69,391,829	25,812,571	40,336,474	2,000,000	1,000,000	110,662
1957	78,171,136	29,756,754	44,365,379	2,500,000	1,300,000	124,815
1958	87,613,261	32,042,882	51,436,867	2,500,000	1,400,000	100,151
1959	96,221,655	35,931,083	56,020,067	2,500,000	1,500,000	100,131
1960	110,369,911	40,211,596	65,758,629	2,500,000	1,600,000	103,933
1961	126,909,866	44,638,326	77,211,031	2,750,000	2,000,000	104,097
1962	146,122,582	49,263,974	91,220,403	2,750,000	2,500,000	111,692



AR40

Please do not release before

3 p.m.

Tuesday

February 6, 1968.

The Waterloo Trust and Savings Company
Shareholders' Annual Meeting

Address by: Mr. W. A. Bean,
President and General Manager.

It is quite evident from the analyses of the Company's operations which you have just heard, that the Company's financial position is sound and that its business is growing vigorously. The growth of \$29,000,000 in 1967 was much the best in the Company's history and not only that, but the Company is giving better service to more customers than ever before. In view of my rather lengthy and exhaustive report which was included in the printed statement I propose to cover only a few highlights this afternoon.

Due to an unfortunate combination within the year of a number of adverse factors, operating earnings, which for the first time are reported in detail, were slightly lower in 1967 than in the previous year. This occurred in spite of higher income earned on investments and a sizeable increase in fees and commissions received. However, while real progress has been made in improving the yield on the Company's investments, it is not possible to offset increases as substantial as those of last year, in the rates of interest paid on Savings and Guaranteed Investment Certificates, immediately. Rather it is a gradual process extending over several years. In addition to what may be termed the usual increases in costs, of which higher salary levels is the largest component, the increases in 1967 expense included the cost of Deposit Insurance and the extraordinary, non-recurring cost of converting the Savings and Estates, Trusts and Agencies operations to the new computer. For much of the year additional staff was required for this purpose so that ordinary operating costs were increased in addition

to the cost of equipment rentals. In 1968, these conversion costs will be lessened and there will be substantial operating savings. By the end of 1968 it is expected that almost all the Company's accounting functions will be done by computer. While the costs have been heavy, the new system will undoubtedly operate to the long term benefit of customers and the Company.

As in the past, a large part of the year's earnings was added to the Company's Reserves, \$644,000 compared to \$662,000 in 1966. As our investment in mortgages increases, it is desirable from a tax standpoint to continue to transfer the full amount permissible for tax purposes to the Mortgage Reserve, even though this results in decreased amounts available for transfer to the Internal Investment Reserve. In these circumstances the annual amount transferred to the Mortgage Reserve has increased by more than \$100,000 in the last two years. In spite of the sizeable increase in mortgage loans the percentage of the reserve to conventional mortgages is now approaching the maximum of 3% permitted under the Income Tax Act. In fact, in the unlikely event that the mortgage account was to remain stable, this point would be reached in 1969. Therefore while transfers to the Mortgage Reserve may continue to increase for the next few years, they may then be expected to level off and even decrease, permitting increased transfers to the Internal Investment Reserve or a more liberal dividend policy as conditions may warrant.

In view of the relatively unchanged earnings in 1967, dividends were declared at the same rate as in 1966. This is the first time in a number of years, since 1959 to be exact, that the rate has not been increased. While the outlook for 1968 is beclouded by more than the usual number of uncertainties, on the basis of present indications, it is expected that operating results will improve sufficiently to permit consideration of larger dividend payments later this year. At December 31, 1967, paid up Capital and Reserves including Mortgage Reserve amounting to \$10,356,000 and as Mr. Lahn has pointed out, the Company's financial position is indeed strong.

At last year's Annual Meeting it was mentioned that, as almost all of the Company's authorized Capital was then outstanding or allotted for conversion of preference shares and the Company's stock option plan, action should be taken later in 1967 with respect to increasing the Company's Authorized Capital. This has been done and, as you know, the Board of Directors passed By-law No. 44 which will be presented for your consideration today. The By-law provides for an increase in the Authorized Capital of the Company from \$5,000,000 to \$20,000,000, from 60,000 \$20 par value Preference Shares amounting to \$1,200,000 to 250,000 \$20 par value Preference Shares amounting to \$5,000,000 and from 760,000 \$5 par value Common Shares amounting to \$3,800,000 to 3,000,000 \$5 par value Common Shares amounting to \$15,000,000. This may seem to be an unnecessarily large increase, but changes in the capitalization of a trust company are a lengthy and expensive process involving the approval by government departments and

the Lieutenant Governor in Council so that it becomes prudent to provide for the needs of the foreseeable future. The Authorized Capital has been increased only once since the Company's incorporation in 1913, when it was raised from \$2,000,000 to \$5,000,000 in 1957. At that time Savings and Guaranteed Investment Certificates outstanding amounted to \$44,350,000 compared to \$172,340,000 at the end of last year, an increase of almost 400%. Should the volume of Guaranteed Account business increase at the same rate during the next 11 years, although I admit that this would be a rather optimistic estimate, an increase in the Authorized Capital now proposed would probably be required before the end of the period. In the light of this, the size of the proposed increase is reasonable.

There is no intention to issue any more Capital than is required under the Ontario Loan and Trust Corporations Act to support the liability in Guaranteed Trust Account. Capital is expensive, as the return on Capital must be earned in after-tax dollars. However, since the need for additional Capital was indicated at the end of 1965, and covered by the issue of \$1,200,000 of Preference Shares in 1966, Guaranteed liabilities have increased by \$34,490,000, considerably more than the \$18,000,000 which the issue of capital stock would support on a "15 times" basis.

This increase in business, combined with the adverse effect of lower prices for bonds, has resulted in the need for additional capital this year.

However no action is proposed until the prospects for the enactment of legislation providing for increased borrowing powers can be more accurately assessed. If, as has been proposed, these powers are increased from

15 times Capital and Reserves to 20 times Capital and Reserves, it will be several years before there should be any necessity for additional capital. In the event there is to be no change in existing legislation it is probable that preference shares would be sold rather than common shares.

Last year, I spoke at some length upon the subject of deposit insurance. At that time the bill incorporating the Canada Deposit Insurance Corporation was before the House of Commons. As you are well aware the federal legislation was passed, and all provinces including Ontario, took the steps necessary to make deposit insurance effective in their jurisdictions. It is noteworthy that, at least until the present, the inspection organizations already in existence in these jurisdictions have been used by the new Corporation. This was the sensible approach advocated by many of us. It is too early to judge the benefits which may result from deposit insurance. Certainly in this Company it has had no noticeable effect. There have been only a very few cases where amounts entrusted to the Company have been reduced to the \$20,000 insurable limit. However it has undoubtedly eased the pressure upon some of the newer, smaller companies, about whose financial strength customers may have had doubts. The real benefit should arise from the application of uniformly high standards to all deposit taking institutions across the country. In the final analysis the fundamental protection to all depositors will continue to be the strength and integrity of the institution to which deposits are entrusted.

R/W annual meetings

The competition for savings is becoming increasingly intense and as I mentioned in the Annual Report, trust companies are seeking several important changes in legislation which will help to restore a more equitable balance in relation to the concessions made to the chartered banks in the revised Bank Act. There is a growing realization that those changes have swung this balance too far in the opposite direction and that in the long run they may result in less, rather than more competition. I have already told you that changes in borrowing powers are being sought. If, as hoped, these are increased from the present 15 times to 20 times Capital and Reserves they would be more in line with those of the banks. In addition, as pointed out in my Report, the changes with respect to borrowing restrictions should include the power to issue subordinated debentures which would form part of the capital base for trust companies.

The other essential legislative change which is required is in respect to the power to make personal loans. In the long run, trust companies as we know them to be viable, must emerge as institutions serving all the saving, borrowing, investing and related needs of the individual and his family. They will be oriented to serve people, not commerce and industry except through supplying a portion of their long term capital needs. "Trust Companies are for people" should become our by-word. In actual fact your Company is doing this now, we provide "full service" for people, during and after their lifetime. The only difficulty is, that at the moment

we have no power to make personal loans except as an agent, which while a necessary short term expedient, is a wholly unsatisfactory substitute over a longer period. Our customers should be entitled to "borrow where they save". The experience of the banks and other companies would justify the use of a limited amount of the funds of trust companies for this type of investment.

A few weeks ago, my wife and I were enjoying one of the excellent Junior Symphony Programs of Leonard Bernstein and as usual he had a few special remarks for his young New York audience. He was speaking of Beethoven "freeing the conventional symphonic form" and went on to discuss freedom in general. His theme was that freedom is essentially the freedom of choice, the freedom to make decisions. I could not help relating this to the growing trend in this country to give up this freedom of choice, in fact its freedom. The Economic Council of Canada estimates that by 1970 over 35% of the gross national product will be spent by government. In other words, Canadians will give up their freedom of choice to this extent, except in so far as they can choose the government which is to spend it. This tendency to abdicate the right to determine a very large percentage of our product and of our heritage should be spent is evident almost everywhere. It is an essential ingredient of Medicare which I still hope will be postponed and amended to delete this objectionable feature; and the Carter proposals which suggest that the inevitable decrease in the accumulation of capital for investment in private hands will be replaced by additional saving and capital investment by government; in inflation, which is in essence an

annual levy upon all of us to permit Governments the luxury of spending more than they collect; and in the Canada Pension Plan which, undoubtedly, diverted large sums of capital from investment in the private sector of the economy to the government sector and thus add fuel to the fires of inflation. It has been a real factor in the present money markets where interest rates are at higher levels than ever before and where the burden is falling not on the rich but on the poor through penalizing what is euphemistically called "low cost housing". We have seen what happened to Great Britain in its great social experiment. I wonder if we are far behind and I wonder too if this is what the financial markets are reflecting. At a time when most heads of Governments in Canada are beginning to recognize the need for a reduction in spending it is disconcerting to see that one of the candidates for leadership of a certain political party is indeed advocating a guaranteed annual wage for everyone in Canada. Where do we stop? Surely we have gone far enough on this dangerous road for all thinking Canadians to cry stop. I am confident that the leaders of this country would receive real support for policies which limit spending to essential and productive purposes, while at the same time protecting those in real need. This to me is the heart of our problem today, even that of national unity if as Mr. Johnston suggests the basic issue is, which government is to spend the tax dollar, Quebec or Ottawa.

In spite of all of these problems, the outlook for your Company is good. The experience in 1967 has demonstrated our capacity to meet and thrive on increased competition for the savings dollar. The growth in business and earning power of the Estates, Trusts and Agencies Department should continue. Public confidence in the Company and appreciation of the high quality of its services has never been greater.

Once again may I express my thanks to the officers and staff of the Company whose fine efforts have made the 1967 results possible and to the Chairman and the members of the Board of Directors for their guidance and support.



AR40

February 23, 1968

The Investors of
The Waterloo Trust Investment Funds

We are pleased to present the annual report of The Waterloo Trust Investment Funds for the year ended December 29, 1967. The report this year and in succeeding years will be presented in the form of a prospectus, which under the revised Ontario Securities Act must be prepared annually.

The rate of increase in the Canadian economy in 1967 declined somewhat over the previous year, resulting in an increase in our gross national product of approximately 7%. More than one-half of this increase was, unfortunately, due to price increases. There is little evidence at this moment of any easing in inflationary pressures. The various segments of our economy showed quite wide disparities with such areas as forest products, construction and heavy capital equipment and machinery showing considerable weakness. In sharp contrast to the above groups however, consumer oriented industries, such as retailing and beverages showed good gains together with the communications industry.

THE EQUITY FUND

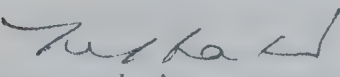
N.B. The performance of the Equity Fund during 1967 was most gratifying. The unit value increased from \$2.36 at December 30, 1966 to \$2.87 at December 29, 1967, an increase of 21.6%. This compares favourably with the 1967 increase in the Toronto Stock Exchange Industrial Index of 9.9%. During the year the net worth of the fund increased to \$2,602,358 up from \$1,499,587, an increase of 73.5%. The average forecast for the Canadian economy in 1968 suggests that our economy will continue to expand although perhaps at a lesser rate than that experienced in the past year with inflationary pressures once again being an important factor. The outlook for corporate profits in 1968 for many industries remains uncertain in the face of continuously rising costs. The Equity Fund however, with a diversified investment portfolio, should continue to provide the investor with above average growth over the longer term and a sound approach toward offsetting the impact of inflation. Investors in the Equity Fund will be interested to note the sources of income for this section were as follows: Canadian Dividends - 87.67% (of which 2.35% is subject to depletion allowance) Interest - 4.75% and Foreign Income - 7.58%.

THE FIXED INCOME FUND


The Fixed Income section of the fund operated in a most difficult economic and monetary environment in 1967. There were many strains placed upon money markets during the year, among them being the devaluation of sterling in the United Kingdom, rising interest rates in the United States due to record government and corporate borrowing, and increased demands placed on Canadian money markets as a result of increased government borrowing. During the year the unit value registered a decline of 5.5% from \$2.37 to \$2.24. This decline, although certainly not welcome, was not unreasonable. During the year, for example, long term Government of Canada bonds declined more than 9%. The unsettled bond market did, however, afford your fund an excellent opportunity to purchase new holdings at extremely attractive yields. The annual unit income was 14.07¢ up from 13.47¢. The average monthly rate of return on the fund increased from 5.64% in 1966 to 6.06% in 1967. The yield of the fund as at January 31, 1968 was 6.37% after all charges.

Interest rates have continued to rise in early 1968, with recent increases due in the main, to action on the part of the Bank of Canada to attract funds to Canada and prevent added pressures on our foreign exchange reserves. It is highly probable that interest rates will remain at or near their current high levels until this and other problems facing the Canadian bond market are resolved. Such a situation should once more provide an excellent buying opportunity for fixed income purchases and accordingly we have no hesitation in recommending purchases of units in the Fixed Income Fund at current levels.

Yours very truly,


Assistant General Manager
and Treasurer

M. L. Lahn/td


Associate Treasurer

J. T. Hill/td

THE WATERLOO TRUST AND SAVINGS COMPANY

NOTICE IS HEREBY GIVEN

That the 55th Annual General Meeting of Common Shareholders of The Waterloo Trust and Savings Company will be held at the Head Office of the Company, 305 King Street West, Kitchener, Ontario, on Tuesday, the 6th day of February, 1968, at the hour of 3:00 p.m., for the purposes of:

- (1) receiving the Report of the Directors of the Company and considering the financial statements of the Company for the fiscal year ended December 31, 1967;
- (2) considering and, if thought fit, adopting and ratifying with or without amendment, By-law No. 44 to provide for increasing the authorized capital stock of the Company from \$5,000,000. to \$20,000,000.;
- (3) election of Directors;
- (4) appointment of Auditors;
- (5) transacting such other business as is proper at such meeting.

Dated at Kitchener, Ontario, this 23rd day of January, 1968.

By order of the Board of Directors,

R. W. AUGER
Secretary

Should you be unable to attend the meeting in person, kindly sign the enclosed proxy and forward it in the enclosed envelope provided for the purpose.

THE WATERLOO TRUST AND SAVINGS COMPANY

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of The Waterloo Trust and Savings Company (the Company) of proxies to be used at the Annual General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by regular employees of the Company at nominal cost. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A Shareholder desiring to appoint some other person to represent him at the meeting may do so** by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, mailing or delivering the completed proxy to the Secretary of the Company in time for use at the meeting. A person appointed as a proxy need not himself be a shareholder of the Company.

A shareholder who has given a proxy may revoke it either (1) by signing a proxy bearing a later date, or (2) by signing written notice of revocation. To be effective, evidence of revocation must be received by the Company at the meeting before a vote shall have been cast pursuant to the authority conferred by such proxy.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for (1) approval of the Directors' Report and Financial Statements, (2) adoption and ratification of By-law No. 44, (3) the election of Directors, and (4) the appointment of Auditors, all as stated in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting.** At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

On December 31, 1967 the Company had outstanding 660,000 common shares of the par value of \$5.00 each, each carrying the right to one vote per share and 60,000 preference

(2) Directors Whose Term of Office Expires at the Annual General Meeting to be Held Tuesday, February 4th, 1969.

	Became Director	Common Shares
GEORGE H. DOBBIE, Galt, is President of The Dobbie Industries Limited, manufacturer of textiles	1950	2,160
PERCY R. HILBORN, Preston, is a Vice-President of the Company	1928	10,000
HOWARD S. MATTHEWS, Guelph, is a Retired Gentleman	1961	500
JOHN E. MOTZ, Kitchener, is President of Kitchener - Waterloo Record Limited, newspaper publisher	1963	480
WALTER J. MCGIBBON, Queen's Counsel, Waterloo, is a partner in the law firm of McGibbon, Harper and Haney	1959	1,600
KENNETH R. MACGREGOR, Waterloo, is President of The Mutual Life Assurance Company of Canada, life insurer	1966	400
DUNCAN MCINTOSH, Galt, is President and Managing Director of Gore Mutual Insurance Company, general insurer	1964	400
E. GLADSTONE SCHAFER, Kitchener, is President of The Dominion Life Assurance Company, life insurer	1965	400
J. E. FROWDE SEAGRAM, Waterloo, is President of Joseph E. Seagram and Sons Limited, distiller	1937	2,324
THOMAS B. SEAGRAM, Waterloo, is Vice-President of Canada Barrels and Kegs Limited, manufacturer of barrels and kegs	1962	3,688
J. KENNETH SIMS, Queen's Counsel, Kitchener, is a partner in the law firm of Sims, Bauer, Sims and Giffen	1958	1,800
ALFRED S. UPTON, Kitchener, is a Director of The Dominion Life Assurance Company, life insurer	1955	656

NOTES: (1) The information as to common shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective Directors individually.

(2) The principal occupation, within the five preceding years, of each Director has been the present principal occupation listed or a senior executive position with the respective company listed except in the case of Kenneth R. MacGregor who prior to his election as a Director and President of The Mutual Life Assurance Company of Canada in 1964 was for many years The Superintendent of Insurance for Canada.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

(1) Aggregate direct remuneration paid or payable by the Company in its fiscal year ended December 31, 1967 to the Directors and Senior Officers of the Company	\$139,700.00
(2) Aggregate direct remuneration paid or payable by Waterloo Bond Corporation Limited, a subsidiary company whose financial statements are not consolidated with those of the Company, in the fiscal year ended December 31, 1967 to the Directors and Senior Officers of the Company	\$ 650.00

shares, Series A, of the par value of \$20.00 each carrying no voting rights unless and until the Company shall fail to pay in the aggregate 4 quarterly dividends thereon which event has not happened, so that the aggregate number of votes attaching to all the outstanding shares is 660,000. The Directors and Senior Officers of the Company do not know of any person or company beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company. There is no record date for determining the holders of shares who may vote at the meeting and all persons who are or who represent common shareholders of the Company at the time of the meeting will be entitled to vote.

BY-LAW NO. 44

The authorized capital stock of the Company is \$5,000,000. divided into 60,000 preference shares of the par value of \$20.00 each and 760,000 common shares of the par value of \$5.00 each. All of the said 60,000 preference shares have been subscribed and paid in and of the said 760,000 common shares 660,000 shares have been subscribed and paid in and 100,000 shares have not been subscribed.

Of the said 100,000 common shares which have not been subscribed, 60,000 shares remain unissued because of the conversion privilege attaching to the existing preference shares of the Company and 40,000 shares have been reserved and set aside for issue from time to time upon exercise of options heretofore or hereafter granted to senior employees of the Company to subscribe for and to purchase common shares of the Company pursuant to the terms and conditions of By-law No. 42 of the Company, which was ratified and confirmed by the shareholders of the Company on the 1st day of February 1966.

It is deemed advisable to provide for increasing the authorized capital stock of the Company from \$5,000,000. to \$20,000,000., being the amount that the Directors consider requisite.

It has been enacted by the Directors of the Company as a by-law of the Company that the authorized capital stock of the Company be increased from \$5,000,000. to \$20,000,000. by creating an additional 190,000 preference shares of the par value of \$20.00 each ranking on a parity with the existing preference shares of the Company and an additional 2,240,000 common shares of the par value of \$5.00 each ranking on a parity with the existing common shares of the Company so that the authorized capital stock of the Company will be \$20,000,000. divided into 250,000 preference shares of the par value of \$20.00 each, a total of \$5,000,000., and 3,000,000 common shares of the par value of \$5.00 each, a total of \$15,000,000.

By-law No. 44, briefly described in the foregoing paragraphs of this section, will be submitted for adoption and ratification at the meeting.

ELECTION OF DIRECTORS

Under the By-laws of the Company Directors are elected to hold office for 2 years, one-half of the Board, being 12 Directors, retiring annually. **The persons named in the enclosed form of proxy intend to vote for the election as Directors of the nominees whose names are set forth below in Section (1),** all of whom are now members of the Board of Directors and have been since the dates indicated and whose term of office expires at the Annual General Meeting to be held Tuesday, February 6th, 1968 or at such time as their successors are duly elected.

Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the Annual General Meeting to be held Tuesday, February 3rd, 1970 and until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws of the Company.

The following tables and notes thereto state the names of all persons proposed to be nominated for election as Directors, and all other persons whose terms of office as Directors will continue after the Annual General Meeting, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became Directors of the Company and the approximate number of common shares of the Company beneficially owned directly or indirectly by each of them, as of December 31, 1967.

(1) Directors Whose Term of Office Expires at the Annual General Meeting to be Held Tuesday, February 6th, 1968.

	<u>Became Director</u>	<u>Common Shares</u>
WALTER A. BEAN, C.B.E., Waterloo, is President and General Manager of the Company	1957	3,700
G. MURRAY BRAY, Queen's Counsel, Kitchener, is a partner in the law firm of Bray, Schofield, Mackay and Kelly.....	1958	2,080
DOUGLAS W. BROWN, Cheltenham, is President and General Manager of General Spring Products Limited, manufacturer of automotive parts, etc.	1960	12,800
WILFRED W. FOOT, Waterloo, is President and General Manager of The Economical Mutual Insurance Company, general insurer	1965	400
W. HOWARD HEMPHILL, Stratford, is President and General Manager of Imperial Furniture Mfg. Co. Limited, manufacturer of furniture	1966	400
HUGH L. McCULLOCH, Galt, is a Vice-President of the Company	1943	1,200
CARL A. POLLOCK, Kitchener, is President of Electrohome Limited, manufacturer of home entertainment products, furniture, etc.	1959	528
G. ERNEST ROBERTSON, Guelph, is a Director of Beatty Bros. Limited, a holding company	1962	1,000
JOHN W. SCOTT, Kitchener, is Chairman of the Board of the Company ...	1951	3,180
MERVYN J. SMITH, Waterloo, is Chairman of the Board of The Equitable Life Insurance Company of Canada, life insurer	1960	1,432
CARL N. WEBER, Waterloo, is President of C. N. Weber Limited, wholesale hardware distributor	1955	732
PHILIP V. WILSON, Waterloo, is Honorary President of the Company	1922	2,000

- (3) Estimated aggregate cost to the Company in its fiscal year ended December 31, 1967 of all pension benefits to be paid to the Senior Officers of the Company under any normal pension plan in the event of retirement at normal retirement age \$ 7,652.00
- (4) During the fiscal year ended December 31, 1967 one of the Senior Officers of the Company was indebted to the Company by way of a secured demand loan exceeding \$5,000. The loan was granted in the ordinary course of the Company's business on terms no more favourable than those available to any full-time employee of the Company at the time it was granted.

Borrower	Maximum Amount Outstanding during the year	Amount Outstanding at December 31, 1967	Rates of Interest Charged
R. W. Auger	\$6,700.00	\$5,500.00	6¼ % to 6¾ %

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Clarkson, Gordon & Co., Chartered Accountants, Kitchener, as auditors of the Company, to hold office until the next Annual General Meeting of Shareholders. Messrs. Clarkson, Gordon & Co. have been auditors of the Company for more than five years.



Fergus, Ontario — location of the Company's 11th office



WATERLOO TRUST AND SAVINGS COMPANY

SEMI-ANNUAL REPORT, JUNE 30, 1967

WATERLOO TRUST AND SAVINGS COMPANY

To the Shareholders, Staff and Customers:

Shareholders will be pleased to know that, during the first six months of 1967, the business of the Company has continued to grow at about the same rate as in recent years. For the first time, total Business under Administration exceeds one-quarter of a billion dollars, an increase of some \$9,500,000 since December 31, 1966.

In spite of the increased competition amongst all types of savings institutions, the Company's savings business has increased during the period by \$8,250,000 compared to \$8,750,000 in the corresponding six months of 1966, and now amounts to \$162,500,000. It is encouraging to note that a considerably higher proportion of this growth was in the form of Savings and Deposit accounts rather than in Guaranteed Investment Certificates. The increase in business under administration in the Estates, Trusts and Agencies Department was somewhat less than a year ago due to factors beyond our control.

As will be seen from the accompanying earnings statement, operating income from all sources has been well ahead of last year. The spread between the rates of interest earned and paid continues to decrease as it has not been possible to increase rates of interest charged on loans to the same extent as those which must be paid on Savings and Guaranteed Investment Certificates. Increased earnings are therefore closely related to increases in volume of business.

Operating costs, while under strict control, continue to rise and include some extraordinary expense with respect to the installation of the new computer and On-Line Savings system which will be in operation shortly. Net profit for the six month period is up slightly from last year.

A high degree of liquidity is being maintained although some progress has been made in increasing the proportion of assets invested in sound mortgages. Mortgage collections have been good and the Company's investment portfolio is excellent.

The new office in Fergus has been well received and it would seem reasonable to expect a continuation of the current growth in business and earnings during the final six months of the year. We hope that you will be interested in the enclosed "Guide to Waterloo County" which, as a Centennial project, was sent to all householders in the areas served by the Company.



*President and General Manager
Kitchener, Ontario, July 17, 1967*

STATEMENT OF EARNINGS AND UNDIVIDED PROFITS

(Subject to audit and year-end adjustments)

For the six months ended June 30th	1967	1966
Operating Income		
Interest from mortgages	\$ 3,115,000	\$ 2,729,000
Interest and dividends from securities and secured loans	2,003,000	1,786,000
Fees and commissions	342,000	325,000
Other operating income	112,000	109,000
	<u>\$ 5,572,000</u>	<u>\$ 4,949,000</u>
Operating Expenses		
Interest on savings deposits	\$ 1,077,000	\$ 1,013,000
Interest on guaranteed investment certificates	2,428,000	2,009,000
Salaries, (pension fund) and other staff benefits	763,000	656,000
Other operating expenses including provision for investment reserves and contingencies	501,000	544,000
Provision for depreciation	50,000	60,000
Addition to mortgage reserve	178,000	138,000
	<u>\$ 4,997,000</u>	<u>\$ 4,420,000</u>
Net Profits before Income Taxes	\$ 575,000	\$ 529,000
Provision for Income Taxes	294,000	289,000
	<u>\$ 281,000</u>	<u>\$ 240,000</u>
Net Profits Available for Distribution		
Dividends Declared During Period		
— Preference Shares	36,000	—
— Common Shares	165,000	165,000
	<u>\$ 80,000</u>	<u>\$ 75,000</u>
Undivided Profits January 1st	80,000	137,000
	<u>\$ 160,000</u>	<u>\$ 212,000</u>

EXECUTIVE OFFICERS

J. W. Scott, *Chairman of the Board*

P. R. Hilborn, *Vice-President*

H. L. McCulloch, *Vice-President*

H. A. Syer, *Assistant General Manager
Estates and Trusts*

W. A. Bean, C.B.E., *President and General
Manager*

R. W. Auger, *Assistant General Manager
and Secretary*

M. L. Lahn, *Assistant General Manager
and Treasurer*

THE WATERLOO TRUST AND SAVINGS COMPANY

BOARD OF DIRECTORS

* W. A. BEAN, C.B.E., Waterloo

President and General Manager

G. M. BRAY, Q.C., Kitchener

Bray, Schofield, Muckay and Kelly

D. W. BROWN, Kitchener

President and General Manager, General Spring Products Limited

GEORGE H. DOBBIE, Galt

President, The Dobbie Industries Limited

W. W. FOOT, Waterloo

President and General Manager, The Economical Mutual Insurance Company

W. HOWARD HEMPHILL, Stratford

President and General Manager, Imperial Furniture Mfg. Co. Limited

* P. R. HILBORN, Preston

Vice-President,

Director, The Equitable Life Insurance Company of Canada

KENNETH R. MACGREGOR, F.S.A., Waterloo

President, The Mutual Life Assurance Company of Canada

H. S. MATTHEWS, Guelph

* H. L. McCULLOCH, Galt

Vice-President

Chairman of the Board, Gore Mutual Insurance Company

W. J. MCGIBBON, Q.C., Waterloo

McGibbon, Harper and Haney

D. MCINTOSH, Galt

President and Managing Director, Gore Mutual Insurance Company

JOHN E. MOTZ, Kitchener

President, Kitchener-Waterloo Record Limited

C. A. POLLOCK, Kitchener

President, Electrohome Limited

G. ERNEST ROBERTSON, Guelph

Vice-Chairman of the Board, Sangamo Company Limited

E. G. SCHAFER, Kitchener

President, The Dominion Life Assurance Company

* J. W. SCOTT, Kitchener

Chairman of the Board

J. E. F. SEAGRAM, Waterloo

President, Joseph E. Seagram & Sons Limited

T. B. SEAGRAM, Waterloo

Vice-President, Canada Barrels & Kegs Limited

* J. K. SIMS, Q.C., Kitchener

Sims, Bauer, Sims and Giffen

M. J. SMITH, Waterloo

Chairman of the Board, The Equitable Life Insurance Company of Canada

A. S. UPTON, Kitchener

Director, The Dominion Life Assurance Company

C. N. WEBER, Waterloo

President, C. N. Weber Limited

P. V. WILSON, Waterloo

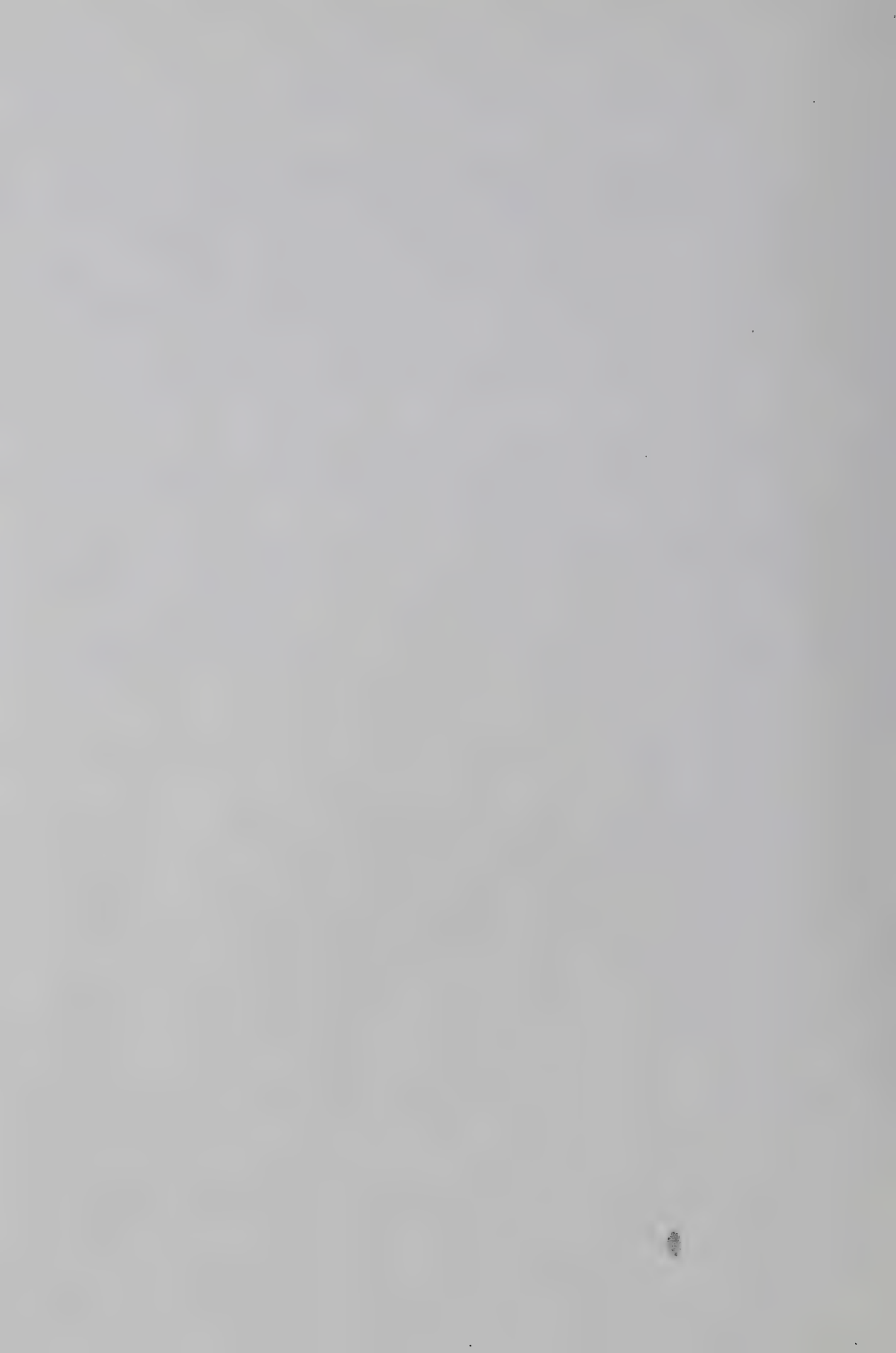
Honorary President,

Director, The Waterloo Mutual Insurance Company

ber of the Executive Committee

As you have heard, the Company is in a very strong position, even stronger than a year ago. It has emerged from a two year testing period, marked by the collapse and near collapse of several financial institutions and what can only be described as a monetary crisis in which interest rates reached the highest levels in forty years, not only unscathed, but in the strongest position in its 54 year history. In spite of the uncertainties of the period, public confidence in The Waterloo Trust as evidenced by Mr. Hearn's remarks, has never been greater. This confidence or trust, and it is our most important trust, is the Company's greatest asset. It has been gained partially at your expense for it has cost earning power to follow a truly conservative course, to be ready for any eventuality. Throughout this period the Company has been continuously in an overly liquid position and in addition has made very substantial additions from earnings to its reserves, even though the Company has no loan or investment on which it is likely to lose one cent.

As conditions become more stable, it will be possible to return to a more normal investment position, to gradually decrease liquidity and to maintain a higher proportion of assets in mortgage loans. However, net profit has increased even in 1966 despite higher interest and operating costs and after providing for larger additions to the Mortgage Reserve and the Internal Investment Reserve against fluctuations in the market prices for securities. Dividends paid were also increased from 50¢ to 52½¢ per share and \$300,000 was added to the General Reserve. Total Capital and Reserves including the Mortgage Reserve now amount to \$9,722,000. From every



standpoint 1966 was a good year for the Company.

I should like to turn now to several matters of a more general nature but which directly affect the Company. The first of these is that of the use of the term "bank" which, as already mentioned in the printed report, encompasses such diverse types of corporations as trust companies and what are broadly termed finance companies. It should be well known that each is expressly prohibited from doing the type of business done by the other, yet, just last week the lead editorial of a well known financial paper mentioned and I quote: "finance companies and other deposit taking institutions", and this is not an isolated instance. Surely the financial press of this country is sufficiently well informed to know that finance companies are not "deposit taking institutions". Surely it is the responsibility of the press to assure that their readers are correctly informed lest there be confusion and loss of confidence. There are strong finance companies and weak ones but their success or failure is not related to trust companies. It is true that investments made by one trust company in a finance company proved embarrassing although not fatally so, but one does not find the insurance industry linked with the finance companies because one of its members failed due to a close association with a finance company. It is worth noting that in the latter case it was a federally regulated and supervised insurance company. I mention this not as a criticism of the standard of supervision which is unquestionably high but to emphasize the fact made in my remarks to you last year that no system of supervision will provide full protection against bad management and breach of trust.

This leads to a second matter of general importance to-day, that is the widespread demands upon governments, particularly at the provincial and federal levels, for protection against everything under the sun, even discrimination against females and the high cost of living. One facet of this was dealt with by the president of a leading insurance company last week, when he pointed out that the government was now providing protection against old age through the Canada Pension Plan and would soon be taking over the field of medical insurance both, largely at the expense of the insurance industry. It is already insuring Canadians against unemployment and in addition will shortly be even insuring the deposits of banks and trust companies. I am not opposed to insurance or to the intervention of government where necessary but I am greatly concerned at the gradual abdication by Canadians of their individual responsibility for deciding where, when and how their income is to be spent. As a nation we have already foregone this decision to the extent of one-third of the national income and the end is not yet in sight. In fact, the demands for government assistance are increasing. A good example of this is the recent request by security holders of a bankrupt finance company that the government protect them against loss, in other words, that you and I should make good their mistakes. One cannot help but be sorry for many of these individuals, some of whom having apparently lost their life savings, but what is our real responsibility to them?

Any investment is a matter of judgment and to exercise judgment one must be as fully informed as possible, thus the primary responsibility is to ensure that all the relative facts are presented to the investor and by a competent party. There are already laws governing this and we can be thankful that those in Ontario have been materially strengthened through the new Securities Act. However, having made certain that no securities are sold without complete information and only then by competent registered securities salesmen the decision whether or not to purchase must be that of the individual investor. If his judgment is bad and the investment turns out poorly it is a risk which he has taken in the expectation of gain. In the case of this particular finance company, investors were undoubtedly influenced by the very high rate of interest offered, a warning signal for any experienced investor. My basic point is that one cannot be insured against one's own bad judgment and no amount of legislation or protective measure can bring this about. However, it is essential that the laws governing the offering and the sale of securities be strengthened, that they be strictly enforced and those guilty of infractions be expeditiously and severely dealt with. Steps such as the recent establishment by the Province of Ontario of a separate ministry responsible for matters of this type should result in better control.

You will have noticed that the Canada Deposit Insurance Corporation bill has now received second reading in Parliament. As mentioned in the Annual Report, if the provinces co-operate, and present indications are that they will, it should prove an effective method of obtaining a uniformity

high standard of regulation and supervision of trust and loan corporations throughout Canada. British Columbia has already announced that participation by companies in that province will be a requirement of registration there and it is hoped that others will follow this excellent example. While initially backed by the federal Government this is to be a self sustaining organization financed by premiums paid by the participants. The cost to the Company will be substantial and depositors of the Waterloo Trust have no real need for this additional protection, but it should work to the long term advantage of all deposit-taking institutions. For this reason we have every intention of asking provincial permission to join. It is encouraging to see that the Bill provides for supervision of the two types of institutions, that is the banks and the trust and loan companies by their respective existing supervisory bodies, that is, the Inspector General of Banks and the Superintendent of Insurance and also contemplates the utilization of the provincial departments. This is a practical approach which will not only bring to the new organization the benefit of the experience and detailed knowledge of the various departments but will save unnecessary duplication and expense. Moreover, I cannot help but hope that this is a further indication that the Canadian Government has no intention of attempting to follow the recommendations of the Porter Commission with respect to putting trust and loan corporations under the Bank Act. In the minds of many who have studied the situation and judging from the experience of other major countries, there is no question but that having various groups of savings institutions - banks, trust and loan corporations and credit unions,

competing with one another, as groups, will produce a larger over-all volume of savings in the country than a system under which the saver has no alternative except as to the choice of a particular bank. This is important, vitally important, to Canada in its present stage of development and particularly so, when we are trying to reduce our dependence upon foreign capital.

With or without deposit insurance this Company will continue to follow a conservative course. One hears frequently of the responsibility of the Board of Directors and Management to the Company's shareholders. You will forgive me if I say that in a financial institution such as this, whose business is that of looking after other peoples money, the first responsibility is not to the shareholder, but must be to "those other people" whose money is held in trust. It has been the strict adherence to this principle which has until recently made Canada's financial institutions, banks, life insurance and trust companies, the standard of comparison throughout the world for integrity, strength and dependability. Canada has been fortunate indeed to have as leaders of its financial community men of the highest calibre who have refused to compromise security for temporary shareholder advantage. This is something which cannot be achieved by legislation or regulation or even experience, only through the insistence by shareholders and directors that the natural desire for additional profits be subordinated to the basic objective of security. While deposit insurance may bring greater peace of mind to the small depositor

the real protection to all depositors will continue to be the strength and integrity of the institution to which his money is entrusted.

As Canada enters its second century and your company moves further into its second half century of service, one cannot be other than confident of the future for the country, for the thriving and expanding area in which the company operates and for the company itself. It may be that for a time the growth in the economy will not be quite as fast as in the last several years and in the opinion of many, a period of consolidation would be healthy. However, looking at the local scene, at the communities we serve, the future seems to hold almost unbounded promise. There is no doubt but that this area is destined to continue to be one of the fastest growing, most productive parts of the country. As a community company, The Waterloo Trust should continue to participate fully in this growth. If the past is any criterion, and during the last ten years business under administration has increased from \$59,000,000 to \$240,000,000, the future is bright indeed.

Competition from all types of savings institutions and for estates, trusts and agencies business will be increasingly keen. However, you may be assured that the company is geared to give the best possible service at the lowest possible cost and that it will be thoroughly competitive. The introduction this summer of the On-Line Savings System based on an IBM 140 computer will be the first "in house" installation of its type in Canada. It will not only provide better, faster service but will permit the introduction of new attractive features for our customers, moreover, it will help to stabilize costs which as you all know, have been mounting steadily.

I spoke earlier of the responsibility of management to shareholders and perhaps should mention that of the shareholders to the company. No one should be more interested and concerned with the progress of the company than the shareholder, who should be both our best customer and star salesman. Allowing for duplication between holders of preference and common shares, there are some 1,400 Waterloo Trust shareholders, mostly resident in this area. This should be a very effective sales force to augment the efforts of the Company's employees. With your help the future will be even brighter.

In closing, may I again compliment the staff of the Company for their untiring efforts through which the achievements of 1966 have been possible and express my thanks to the members of the Board of Directors for their very valuable assistance.



AR40

July 21, 1967

The Investors in
Waterloo Trust Investment Funds

We are pleased to enclose unaudited financial statements of the captioned Funds for the six month period ended June 30, 1967 with comparative figures for the six month period ended June 30, 1966. A prospectus for units in The Equity Fund and The Fixed Income Fund prepared in accordance with the recently enacted Securities Act (Ontario), a copy of which has been filed with the Ontario Securities Commission, is also enclosed for your information. Audited financial statements for the period from inception of the Funds to April 28, 1967 are included therein together with Lists of Investments Held in each Fund at April 28, 1967. The prospectus gives complete detail as to the Funds' method of operations and the investment policies of the Trustee which you will undoubtedly find of interest.

THE EQUITY FUND

The trend of rising common stock prices experienced during the first quarter of 1967 continued during the second quarter. The unit value of \$2.77 excluding income distributions at June 30, 1967 was 17.4% higher than the value of \$2.36 at December 30, 1966. This performance compared most favourably with the increase of 11.5% in the Toronto Stock Exchange Industrial Average and 9.5% in the Dow Jones Industrial Average during the same period. Since June 30th stock prices have continued their rise.

It appears that the North American continent is experiencing a rolling economic adjustment and that a slight economic upturn may take place in 1968. By the last quarter of 1967 there should be a clear indication of this trend which, if it takes place, has favourable implications for equity prices. The Carter tax proposals, if implemented, should also buoy Canadian stock markets. On the negative side current high levels of interest rates have a decidedly tempering effect on stock prices.

You will note from the summary of income distributions that the level of income per unit continues to improve significantly.

Continued

The Investors in
Waterloo Trust Investment Funds

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THE FIXED INCOME FUND

Interest rates after declining slightly during the first quarter of 1967 rose sharply during the second quarter under an extremely heavy demand for money by governments and corporations. Rates presently prevailing on most categories of bonds and debentures are now higher than those of last fall and are the highest experienced in over forty years. It is likely that this heavy demand for money will continue for some months and that interest rates will not immediately recede from present peak levels.

Under these conditions The Fixed Income unit value declined to \$2.32 at June 30, 1967 from \$2.40 at March 31, 1967 and \$2.37 at December 30, 1966. Income per unit continues to improve with the higher rates obtainable on new funds for investment. The net yield after all charges on the market value of units at June 30, 1967 was approximately 6.20% based on current indicated annual income.

Investors may purchase units of either Fund on a regular basis by authorizing automatic monthly withdrawals from their Waterloo Trust Savings Account(s). This systematic method of saving and investing appeals to many Investors. Should you desire to use this convenient method simply contact the manager of our nearest office.

The regular individual quarterly statement for your unit holding(s) in The Funds is enclosed. Any questions which you might have pertaining thereto or to any aspect of The Funds' operations will be welcomed by any branch manager or officer of the Company.

Yours very truly,



Assistant General Manager
and Treasurer

M. L. Lahn/vb

THE WATERLOO TRUST AND SAVINGS COMPANY

EQUITY FUND

STATEMENT OF ACCUMULATED GAIN ON SALE OF INVESTMENTS

	<u>Six Months Ended June 30, 1966</u>	<u>Six Months Ended June 30, 1967</u>
BALANCE AT BEGINNING OF PERIOD	\$ 12,804.	\$ 23,007.
Gains Realized on Sale of Investments	<u>4,128.</u>	<u>16,474.</u>
BALANCE AT END OF PERIOD	<u>\$ 16,932.</u>	<u>\$ 39,481.</u>

STATEMENT OF INCOME AND EXPENSE
AND UNDISTRIBUTED NET INCOME

	<u>Six Months Ended June 30, 1966</u>	<u>Six Months Ended June 30, 1967</u>
INCOME		
Income from Investments	\$ 18,427.	\$ 29,776.
EXPENSES		
Management Fees	\$ 5,034.	\$ 7,156.
Statement, Audit and Other	<u>430.</u>	<u>150.</u>
	<u>\$ 5,464.</u>	<u>\$ 7,306.</u>
NET INCOME EARNED	\$ 12,963.	\$ 22,470.
Income Distributed	<u>12,963.</u>	<u>22,470.</u>
BALANCE (Undistributed Net Income)	<u>\$ -</u>	<u>\$ -</u>

INVESTMENTS HELD

As At June 30, 1967

	<u>Average Cost & Book Value</u>		<u>Market Value</u>	<u>Percentage of Fund</u>
Banking and Finance	\$ 170,614.	\$	163,781.	8.1 %
Beverages	118,774.		129,688.	6.4
Building Products	18,751.		19,875.	1.0
Chemicals	66,951.		62,425.	3.1
Forest Products	80,280.		73,712.	3.6
Industrials--Manufacturing	212,292.		237,431.	11.7
Investment Trusts	16,152.		21,250.	1.0
Merchandising Companies	137,605.		166,000.	8.2
Mining Companies	163,108.		169,875.	8.4
Office Equipment and Supplies	78,121.		145,213.	7.2
Oil and Gas	190,997.		221,888.	11.0
Public Utilities	260,487.		276,400.	13.7
Steel Companies	42,019.		54,700.	2.7
Transportation and Communications	232,655.		281,125.	13.9
	<u>\$1,788,805.</u>		<u>\$2,023,363.</u>	<u>100.0 %</u>

THE WATERLOO TRUST AND SAVINGS COMPANY

FIXED INCOME FUND

STATEMENT OF ACCUMULATED LOSS ON REDEMPTION AND SALE OF INVESTMENTS

	<u>Six Months Ended June 30, 1966</u>	<u>Six Months Ended June 30, 1967</u>
BALANCE AT BEGINNING OF PERIOD	\$ 17.	\$ 1,030.
Loss on Redemption and Sale of Investments	<u>90.</u>	<u>326.</u>
BALANCE AT END OF PERIOD	<u>\$ 107.</u>	<u>\$ 1,356.</u>

STATEMENT OF INCOME AND EXPENSE
AND UNDISTRIBUTED NET INCOME

	<u>Six Months Ended June 30, 1966</u>	<u>Six Months Ended June 30, 1967</u>
INCOME		
Income from Investments	\$ 8,010.	\$ 24,055.
EXPENSES		
Management Fees	\$ 663.	\$ 1,806.
Statement, Audit and Other	<u>95.</u>	<u>60.</u>
	<u>\$ 758.</u>	<u>\$ 1,866.</u>
NET INCOME EARNED	\$ 7,252.	\$ 22,189.
Income Distributed	<u>7,252.</u>	<u>22,189.</u>
BALANCE (Undistributed Net Income)	<u>\$ -</u>	<u>\$ -</u>

INVESTMENTS HELD

As At June 30, 1967

	<u>Par Value</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Percentage of Fund</u>
Government of Canada Bonds	\$ 70,000.	\$ 68,450.	\$ 67,675.	8.7 %
Provincial Bonds	140,000.	138,626.	132,025.	17.5
Municipal Debenture	15,000.	14,888.	13,388.	1.9
Corporation Bonds	<u>475,000.</u>	<u>474,481.</u>	<u>460,637.</u>	<u>60.0</u>
TOTAL BONDS	<u>\$700,000.</u>	<u>\$696,445.</u>	<u>\$673,725.</u>	<u>88.1 %</u>
Mortgages	<u>\$ 94,352.</u>	<u>\$ 94,352.</u>	<u>\$ 92,843.</u>	<u>11.9 %</u>
TOTAL INVESTMENTS	<u>\$794,352.</u>	<u>\$790,797.</u>	<u>\$766,568.</u>	<u>100.0 %</u>

THE WATERLOO TRUST AND SAVINGS COMPANY

Source and Application of Funds

EQUITY FUND

	<u>Six Months Ended</u> <u>June 30, 1966</u>	<u>Six Months Ended</u> <u>June 30, 1967</u>
Cash on Hand at Beginning of Period	\$ 66,868.	\$ 38,576.
Proceeds from Units Purchased	450,553.	396,341.
Proceeds from Sale or Maturity of Investments	182,560.	623,239.
Income from Investments	<u>18,427.</u>	<u>29,776.</u>
	<u>\$718,408.</u>	<u>\$1,087,932.</u>
Payments for Units Withdrawn	\$ 16,416.	\$ 70,749.
Purchases of Investments	670,350.	905,010.
Income Distributed	12,963.	22,470.
Management Fees	5,034.	7,156.
Statement, Audit & Other Direct Expenses	430.	150.
Cash on Hand at End of Period	<u>13,215.</u>	<u>82,397.</u>
	<u>\$718,408.</u>	<u>\$1,087,932.</u>

FIXED INCOME FUND

Cash on Hand at Beginning of Period	\$ 4,853.	\$ (6,199.)
Proceeds from Units Purchased	178,892.	210,558.
Proceeds from Sale or Maturity of Investments	51,120.	76,324.
Income from Investments	8,010.	24,055.
Proceeds from Repayment of Mortgage Principal	<u>786.</u>	<u>2,096.</u>
	<u>\$243,661.</u>	<u>\$ 306,834.</u>
Payments for Units Withdrawn	\$ 8,534.	\$ 47,867.
Purchases of Investments	226,627.	226,637.
Income Distributed	7,252.	22,189.
Management Fees	663.	1,806.
Statement, Audit & Other Direct Expenses	95.	60.
Cash on Hand at End of Period	<u>490.</u>	<u>8,275.</u>
	<u>\$243,661.</u>	<u>\$ 306,834.</u>

THE WATERLOO TRUST AND SAVINGS COMPANY

INVESTMENT FUNDS

UNIT VALUES

<u>Monthly Valuation Dates</u>	<u>Fixed Income Fund</u>	<u>Equity Fund</u>
June 30, 1965	\$ 2.50	\$ 2.62
July 30, 1965	2.48	2.58
Aug. 31, 1965	2.46	2.65
Sept. 30, 1965	2.46	2.67
Oct. 29, 1965	2.45	2.70
Nov. 30, 1965	2.44	2.62
Dec. 31, 1965	2.44	2.65
Jan. 31, 1966	2.44	2.73
Feb. 28, 1966	2.42	2.65
Mar. 31, 1966	2.42	2.61
Apr. 29, 1966	2.42	2.62
May 31, 1966	2.41	2.54
June 30, 1966	2.42	2.55
July 29, 1966	2.39	2.50
Aug. 31, 1966	2.35	2.34
Sept. 30, 1966	2.37	2.28
Oct. 31, 1966	2.37	2.32
Nov. 30, 1966	2.35	2.31
Dec. 30, 1966	2.37	2.36
Jan. 31, 1967	2.39	2.55
Feb. 28, 1967	2.39	2.59
Mar. 31, 1967	2.40	2.69
Apr. 28, 1967	2.38	2.79
May 31, 1967	2.33	2.68
June 30, 1967	2.32	2.77

INCOME DISTRIBUTED

<u>Quarterly Valuation Dates</u>	<u>Fixed Income Fund</u>	<u>Equity Fund</u>
Sept. 30, 1965	\$.0276	\$.0151
Dec. 31, 1965	.0338	.0165
Mar. 31, 1966	.0306	.0119
June 30, 1966	.0343	.0128
Sept. 30, 1966	.0337	.0166
Dec. 30, 1966	.0361	.0225
Mar. 31, 1967	.0367	.0159
June 30, 1967	.0359	.0155

WATERLOO TRUST AND SAVINGS COMPANY



January 26, 1967

AR40

Dear Sirs:

For Immediate Release

The Fifty-fourth Annual Report of The Waterloo Trust and Savings Company covering the year ended December 31, 1966 is enclosed together with a table of Comparative Statistics for 1965 and 1966.

The total volume of Business under Administration increased by \$22,500,000. or slightly over 10% to \$240,525,000. Guaranteed Trust Account increased by \$16,500,000. to over \$154,000,000. comprised of \$67,600,000. in Savings Deposits and \$85,700,000. in Guaranteed Investment Certificates. Estates, Trusts and Agencies under administration at the year-end amounted to \$76,186,000. after distributions during the year of \$22,477,000.

In the President and General Manager's report, Mr. W. A. Bean, C.B.E., highlights the strong liquid position which the Company has always maintained. At December 31, 1966, quick assets consisting of cash, marketable securities and demand loans amounted to over 104% of deposit liabilities.

Revenue for the year after interest on Guaranteed Trust Account and provision for Investment Reserves and Contingencies increased by \$262,466. to \$3,673,290. After operating expenses which increased by \$212,574. to \$2,201,583., Depreciation of \$106,000. and an addition of \$309,000. to the Mortgage Reserve, Profits before Income Taxes increased by \$18,892. to \$1,056,707. Net Profit after Provision for Income Taxes of \$567,000. rose by \$30,392. to \$489,707. being the equivalent of 74¢ per common share outstanding.

Dividends declared during 1966 amounted to 52½¢ per share compared with 50¢ per share in 1965. Capital stock increased by \$1,200,000. to \$4,500,000. reflecting the sale during 1966 of 50,000. 6% \$20.00 par value cumulative, redeemable, convertible Preference Shares Series A. The General Reserve was increased by \$200,000. to \$4,000,000. At December 31, 1966, Capital Stock, The General Reserve and the Undivided Profits Balance totaled \$8,580,277.

The number of new savings accounts opened during 1966, in every type of savings, far exceeded that of any previous year. Over \$19 million of conventional first mortgage loans were accepted during the year and more than 1,200 borrowers were assisted in the building and purchase of homes. At year-end, total mortgages amounted to \$90,788,000.

The Annual Meeting will be held on Tuesday, February 7th at 3:00 p.m. in The Waterloo Trust Building, King and Water Streets, Kitchener.

Yours very truly,

Treasurer

M. L. Lahn/vb

THE WATERLOO TRUST AND SAVINGS COMPANY

COMPARATIVE STATISTICS

	Dec. 31/65	Dec. 31/66	Increase or Decrease
Savings Deposits	\$ 67,638,455	\$ 68,607,647	+\$ 969,192
Guaranteed Investment Certificates	70,215,801	85,731,101	+ 15,515,300
Capital Stock	3,300,000	4,500,000	+ 1,200,000
General Reserve and Undivided Profits	3,937,070	4,080,277	+ 143,207
Total Company and Guaranteed Trust Funds	146,199,310	164,339,056	+ 18,139,746
Estates, Trusts and Agencies Under Administration	71,829,345	76,186,048	+ 4,356,703
Total Business Under Administration	218,028,655	240,525,104	+ 22,496,449
<u>Analysis of Company and Guaranteed Trust Account Assets</u>			<u>Percentage of Total Assets</u>
Cash on Hand and on Deposit	2,947,206	3,014,169	1.83%
Secured Demand Loans and Advances	2,580,551	2,724,409	1.66
Government of Canada Bonds	19,734,001	20,066,291	12.21
Provincial Government Bonds	14,670,561	15,776,297	9.60
Municipal Debentures	12,096,603	12,010,388	7.31
Corporation Bonds and Debentures	8,631,405	14,500,713	8.82
Preferred and Common Stocks	3,181,316	3,572,816	2.17
Total Quick Assets	\$ 63,841,643	\$ 71,665,083	43.60%
Ratio of Quick Assets to Deposits	94.39%	104.46%	
N.H.A. Mortgages	\$ 29,312,125	\$ 28,791,141	17.52%
Conventional Mortgages	51,137,736	61,996,661	37.72%
<u>PROFIT</u>	<u>1965</u>	<u>1966</u>	<u>Increase or Decrease</u>
Revenue for the year after interest on Guaranteed Trust Account and provision for Investment Reserves and Contingencies	\$ 3,410,824	\$ 3,673,290	+\$ 262,466
Operating Expenses	\$ 1,989,009	\$ 2,201,583	+ 212,574
Provision for Depreciation of Office Premises and Equipment	130,000	106,000	- 24,000
Addition to Mortgage Reserve	254,000	309,000	+ 55,000
	\$ 2,373,009	\$ 2,616,583	+ 243,574
Profits Before Income Taxes	1,037,815	1,056,707	+ 18,892
Provision for Income Taxes	578,500	567,000	- 11,500
Net Profits Available for Distribution	\$ 459,315	\$ 489,707	+ 30,392
Per Common Share	70¢	74¢	+ 4¢
Dividends Declared during Year (50¢ plus 2½¢ per common share in 1966) (47½¢ plus 2½¢ per common share in 1965)	330,000	346,500	+ 16,500
	\$ 129,315	\$ 143,207	+\$ 13,892
Undivided Profits, January 1st	107,755	137,070	+ 29,315
	\$ 237,070	\$ 280,277	+\$ 43,207
Transferred to General Reserve	100,000	200,000	+ 100,000
Undivided Profits, December 31st	\$ 137,070	\$ 80,277	- 56,793

THE WATERLOO TRUST AND SAVINGS COMPANY

To Shareholders, Staff and Customers:

In spite of a decrease in the rate of growth for the Canadian economy, your Company's experience in 1967 was the best in its fifty-five year history. Business under Administration increased by \$29,000,000 to a total of \$269,564,000. This record growth is impressive evidence, not only of the relative prosperity of this part of Ontario, but of public confidence in the Company and the high quality of its services.

Savings entrusted to the Company in the form of chequable and non-chequable Deposits and Guaranteed Investment Certificates amounted to \$172,356,000 at December 31, 1967. The increase for the year of \$18,017,000 was more than one million dollars greater than that for any previous year and was particularly noteworthy in that the increase in Deposits was much greater than in 1966, despite the very high rates being paid on Guaranteed Investment Certificates and the increased competition for this type of savings. In common with other savings institutions, including the chartered banks, rates paid on chequing and non-chequing Deposit balances were increased during the year and the present levels are $3\frac{3}{4}\%$ and $4\frac{1}{2}\%$ to $4\frac{3}{4}\%$ respectively, for chequing and non-chequing accounts, and $6\frac{3}{4}\%$ for Guaranteed Investment Certificates. Growth in 1967 was undoubtedly aided by the large increase in money supply which cannot be expected to continue at the same rate in 1968. Savings service was improved through the introduction of the On-Line Savings system based upon the Company's computer, an IBM 360-30. Among other advantages this system permits customers to be served by any teller at any branch. During the year a new branch office was opened in the thriving community of Fergus which will be moving to permanent quarters in a new building early this spring. It is planned to open the twelfth office of the Company this fall in a new shopping centre to be built in the rapidly growing Stanley Park area of Kitchener. In addition, the Westmount Office on Belmont Boulevard, Kitchener has been doubled in size to meet the needs of the steadily increasing volume of business from that part of the city. By the end of 1968 there will be three downtown and four neighbourhood offices in Kitchener-Waterloo, well located to serve all parts of the two cities. Continued growth in this important part of the Company's business is anticipated in 1968.

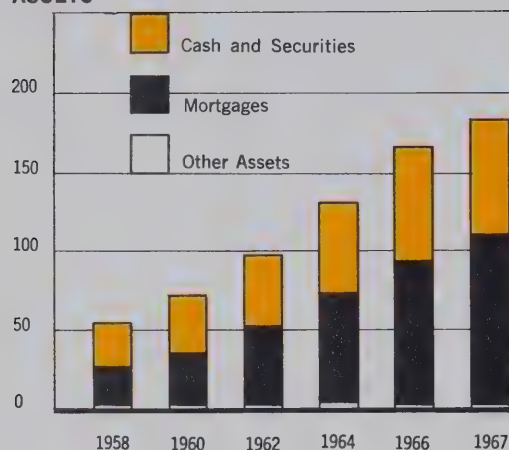
The Company's strong financial position has been fully maintained. The ratio of liquid assets such as cash, securities and secured demand loans to deposits, was 103.5% at December 31, 1967. By comparison the average for trust companies at the end of 1966 was 57.6%. Liquid assets now constitute 41.5% and mortgage loans 57.3% of all assets, an exceptionally conservative position. In view of the unsettled condition of the financial markets, not only in Canada but throughout much of the world, a considerably larger than normal proportion of assets is being held in the most liquid form, over \$14,500,000 in cash and bank deposits or certificates, and \$33,000,000 in government bonds, most of which are relatively short term. As conditions become more stable a more normal position will be assumed and a portion of the funds will be reinvested in longer term securities at attractive rates. However, in the meantime, these large liquid holdings should be a source of satisfaction to customers and shareholders alike. Holdings of corporate bonds and stocks were reduced during the year. A number of common stocks were sold at advantageous prices and the profits used to facilitate exchange of

REPORT OF THE PRESIDENT AND GENERAL MANAGER



W. A. Bean, C.B.E.

ASSETS



corporate bonds at depressed prices which enabled the new purchases to be placed on the books at very attractive yielding rates. These exchanges also resulted in a very considerable saving in taxes as profits on the sale of securities held in capital account are not taxable whereas losses on sales in guaranteed account are allowable deductions from income. As will be seen from the Balance Sheet, government bonds are shown at amortized cost which is greater than market value and all other securities at amortized cost, less reserves, which in total is substantially the same as quoted market values. In view of the very high level of prevailing interest rates, much the highest in a great many years, shrinkage in market values for bonds is inevitable. However this has been minimized by the high proportion of short term securities held. The investment portfolio is in excellent condition and no securities are in default. The Company is well situated to benefit both from any decrease in the level of interest rates and from the re-investment of funds at current high rates as securities mature.

Contrary to general belief, mortgage lending by lending institutions such as insurance and trust companies increased by almost 10% over 1966. An important factor in this increase was the action taken by the federal government to set the maximum interest rate for National Housing Act loans at levels which are sufficiently high as to permit mortgage interest rates generally to be competitive with those offered on alternative investments and in effect to "free" the interest rate on National Housing Act loans. Mortgage applications accepted by the Company increased by almost \$6,000,000 to a record amount of \$24,850,000. As a result total mortgage investment at December 31st amounted to \$104,770,000 an increase of some \$14,000,000 for the year. All of these loans are well secured by properties in this general area. The Company has had ample funds to meet normal demands upon it for mortgage loans and it would appear that this position will be maintained in 1968. Interest rates have had to be increased in accord with the higher rates being paid by the Company for funds but all loans have been made on a conservative basis. Collections have been good and interest arrears in terms of the percentage of total loans are at historically low levels. It is noteworthy that no losses were experienced nor was title taken to any properties in 1967. This is an unusual situation which is indicative of the degree of prosperity which exists in the Company's lending areas combined with the care exercised in lending depositors' funds.

The net increase of \$10,666,000 in Business under Administration in the Estates, Trusts and Agencies Department was substantially better than that of any previous year and double that of 1966. Total business of this type now exceeds \$86,850,000 and the outlook for future growth is excellent. While net increases in assets of Estates under Administration were good, the most noteworthy gains were made in Agency Accounts, Corporate and Individual Pension Trust totals and the Investment Funds operated by the Company. Recognition of the advantages of corporate administration of investments, particularly by trust companies, is becoming increasingly wide-spread. It provides an excellent opportunity for clients who have named or are contemplating naming a trust company as executor to test its performance during their lifetime and for the trust company to demonstrate its service and capacity. Corporate Pension Trust business, freed from the uncertainties and re-adjustments resulting from the introduction of the Canada Pension Plan in 1966, resumed its normal growth in 1967. Participation by the public in the Company's Investment Funds,

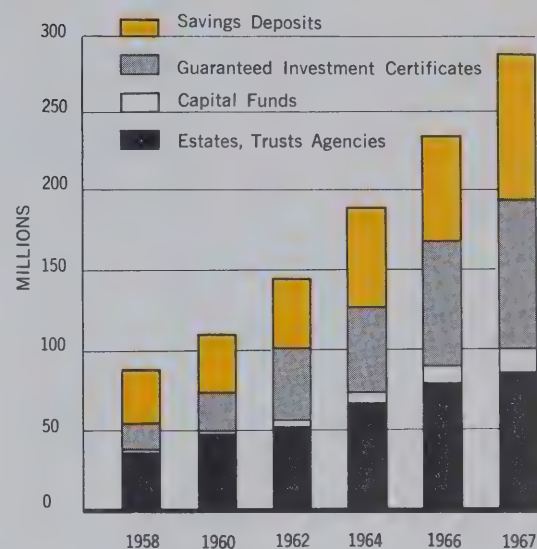
both Equity and Fixed Income, directly and through Retirement Savings Plans, increased greatly during the year. It is a source of satisfaction that the performance of The Waterloo Trust Equity Fund has been amongst the best in the business. During the year, Funds operated by trust companies under Declaration of Trust such as those of the Company, became subject to the Ontario Securities Act, necessitating the use of a regular prospectus. It is noteworthy that the prospectus for the Company's Fund was the first of this type to be approved by the Ontario Securities Commission.

The Company's Business Development Department has been particularly active, especially in the estates and trusts field. A steadily increasing number of new appointments has been received and through the efforts of officers of this Department working in close collaboration with solicitors, chartered accountants and life underwriters will plans of clients are being received and revised to best meet the problems of succession duties and estates taxes and protection for their families. During the year much time was spent in studying the recommendations of the Carter Commission particularly those sections dealing with bequests, and briefs opposing fundamental changes in these areas were filed both by the Company and The Trust Companies Association of Canada. Enactment of the Committee's recommendations would greatly increase the taxation of estates and seriously reduce the pools of private capital so necessary to the development of this country.

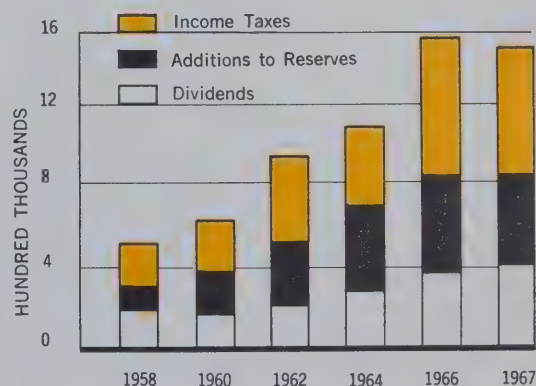
Business in the Company's Real Estate Department in 1967 was at the highest level to date and its operations made an important contribution to the 1967 figures. Aside from Canada Savings Bonds, sales of which were somewhat less than in 1966, sales of investment securities to the public were at a higher level. These two brokerage operations complement the other services provided by the Company and represent a valuable means of assisting customers.

Further steps have been taken to provide more complete information with respect to the operating results of the Company and these have now been separated from other transactions. This practice is similar to that being followed by many financial institutions including the Canadian chartered banks. Operating Earnings, before taxes, amounted to \$1,520,000 in 1967 compared to \$1,590,000 in the preceding year, a reduction of \$70,000, although the results, after taxes, were only \$12,000 less than in 1966. The principal reason for this reduction was the narrowing spread between rates of interest paid on funds from the public and interest rates earned on investments which was only partially offset by increased fees and commissions in the Estates, Trusts and Agencies Department and the Real Estate Department. In periods of rapidly increasing interest rates it is normal for the earnings to be adversely affected, at least temporarily. Unfortunately this situation coincided with the added costs of converting the Savings and Estates, Trusts and Agencies business to the new computer and the introduction of Deposit Insurance, the 1967 premium for which was some \$50,000. At the same time other operating costs, although subject to strict control, also increased due to the growth in the volume of business and other factors such as salary adjustments. The outlook for 1968 is considerably more favourable as the non-recurring costs were charged in full to the 1967 operations. Earnings in 1968 will also benefit from the rather extensive changes made in the investment portfolio as mentioned earlier in this report. The average

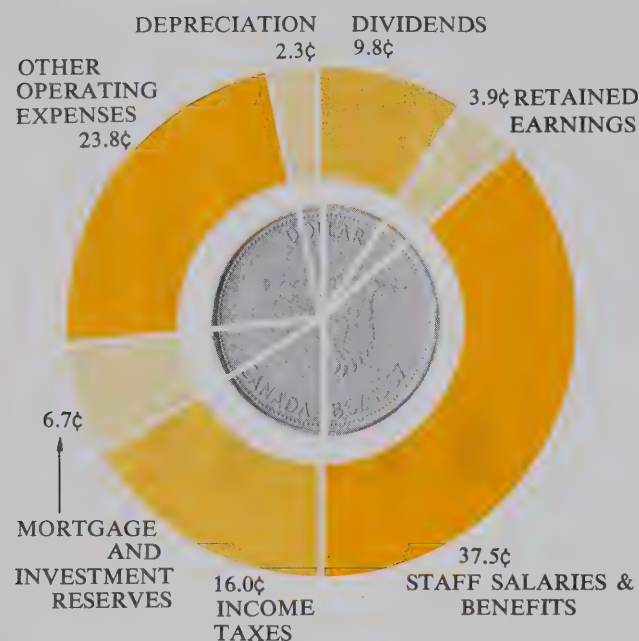
TOTAL BUSINESS UNDER ADMINISTRATION



PROFITS



DISPOSITION OF THE COMPANY'S
INCOME DOLLAR 1967



yield on all earning assets increased from 6.12% in 1966 to 6.39% in 1967 and at December 31st was calculated to be 6.48%.

A total of \$644,000 was added from earnings to the various reserves of the Company in 1967 compared to \$662,000 in 1966. Of this total \$366,000 was added to the Mortgage Reserve bringing it to \$1,508,000, \$110,000 to the already sizeable Internal Investment Reserve and \$168,000 to the General Reserve which now amounts to \$4,200,000. Net operating earnings per common share, after allowing for preference share dividends amounted to \$1.16 compared to \$1.29 in 1966 and the balance of earnings, after additions to Reserves, amounted to 78¢ per share in 1967 compared to 74¢ in 1966. Dividend payments of \$418,500 were higher by the amount of the dividends on the preference shares issued in November 1966. In view of the relatively unchanged operating earnings in 1967, common dividends were paid at the same rate as last year. At December 31st, the Company's Capital and Reserves, exclusive of the Mortgage Reserve and the Internal Investment Reserve, amounted to \$8,748,000.

The large increase in Guaranteed Trust Account in 1967 has again brought the Company close to its "borrowing limit" of fifteen times Capital and Reserves. If, as anticipated, this growth continues it will be necessary to issue additional Capital Stock, probably in the form of Preference Shares as was done in 1966. In these circumstances, as the remainder of the presently unissued Capital Stock must be held for the conversion of the outstanding Preference Shares and the Company's stock option plan, the Directors have passed by-law No. 44, providing for an increase in the authorized Capital of the Company from \$5,000,000 to \$20,000,000, to consist of \$5,000,000 \$20 par value Preference Shares and \$15,000,000 \$5.00 par value Common Shares. This by-law will not be in effect until adopted and ratified by the Shareholders at the Annual Meeting. The proposed increase is sufficiently large as to meet the Company's needs for many years to come and is designed to permit a degree of flexibility in future financing. At the present time trust companies, through The Trust Companies Association of Canada, are seeking an amendment to the Trust Companies Act of Canada which will increase the maximum allowable ratio of Guaranteed Trust Account to Capital and Reserves to twenty times. If these efforts are successful, and from a competitive standpoint it is most desirable, similar legislation will be sought in Ontario. Should these changes be approved in the near future, it may be possible to postpone the issue of additional Capital Stock temporarily, but this would not change the longer term requirements for an increase in the authorized Capital of the Company.

As is well known, the changes in the Canadian Bank Act embodied most of the recommendations made by the Porter Commission with respect to banks, including a reduction in required reserves and the power to make mortgage loans. The proposals respecting trust companies have yet to be implemented and it is essential that if a reasonable balance between these competing types of institutions is to be maintained, early action be taken by the governments concerned. The changes which are being sought with respect to borrowing powers were mentioned earlier. Trust companies also require broader lending powers particularly in the field of personal loans. While loans of this type are being made now by some companies under the so called "basket clause" and by others such as this Company, on an agency basis through The Mercantile Bank of Canada, these are only unsat-

isfactory substitutes for the right to make personal loans on a reasonably restricted basis, to the customers of the Company. In addition to the changes in borrowing restrictions trust companies should be permitted to include subordinated debentures in their capitalization.

From the standpoint of those entrusting their savings to trust companies the protection would be unchanged, but it would enable the companies to carry at least a portion of the very large amounts of capital required in this business at a considerably lower cost. This change would, at least in part, help to offset the high cost of membership in the Canada Deposit Insurance Corporation. As anticipated, having the deposits of the Company insured has had no noticeable effect upon the Company's business but it is valuable as a means of ensuring a high operating standard for all types of deposit taking institutions across Canada.

Of all the problems facing Canada, and indeed the United States, that of inflation is still the most important and fundamental. As the Governor of the Bank of Canada put it so well in a speech made last November "I believe that the only effective way to deal with these problems (increasing costs and increasing interest rates) is to break any inflationary expectation that may exist by making it clear beyond doubt that inflation will not be accepted in Canada as a way of life. I believe that this is the most urgent task of economic policy at the present time." It is in this light that the present tendency of governments at all levels to review and reduce unnecessary spending is so welcome. So far these efforts are at best a halting step toward the necessary goal of somehow or other balancing their budgets. Much clearer evidence than is now available must be provided, particularly by governments, that inflation is not "a way of life" if the country and its people are to be protected from irreparable harm.

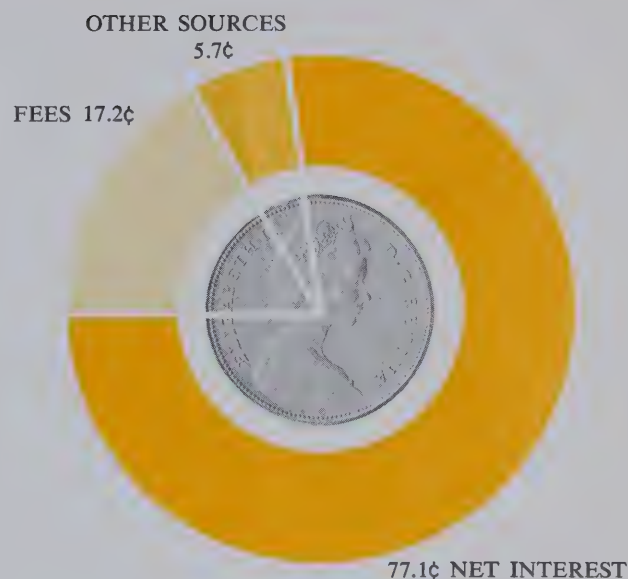
The outlook for the Company in 1968 is good, particularly if the rise in interest rates and other costs is lessened. In spite of the expected slower rate of growth for the economy at large and the intense competition the volume of savings entrusted to the company should continue to increase and gains in the Estates, Trusts and Agencies business should retain their momentum. Therefore it would be reasonable to expect further growth in all departments of the business and some improvement in earnings in 1968.

It is customary to recognize that the successes achieved during the year are due to the staff of the Company. This is particularly true for 1967, a year in which the extra load of conversion and increased competition was carried so efficiently and with such a high morale. The Chairman of the Board and all Directors join me in expressing thanks to this devoted group upon whom the future of the Company is so dependent.



President and General Manager
Kitchener, Ontario, January 25, 1968

SOURCES OF THE COMPANY'S INCOME DOLLAR 1967



THE WATERLOO TRUST AND SAVINGS COMPANY *BALANCE SHEET*

ASSETS

	1967	1966
Cash on Hand and on Deposit	\$ 3,988,543	\$ 3,014,169
Demand Chartered Bank Certificates of Deposit	10,546,802	—
Secured Demand Loans and Advances	2,788,538	2,724,409
Government of Canada Bonds	15,017,659	20,066,291
Provincial Government Bonds	18,014,466	15,776,297
Municipal Debentures	10,798,169	12,010,388
Corporation Bonds	11,959,724	14,500,713
Preferred and Common Stocks	2,780,411	3,572,816
	<u>75,894,312</u>	<u>71,665,083</u>
N. H. A. Mortgages	30,942,684	28,791,141
Conventional Mortgages	73,827,757	61,996,661
Office Premises and Equipment, less Accumulated Depreciation of \$1,358,076 - 1967	1,952,505	1,852,212
Other Assets including Income Taxes Recoverable	69,962	12,959
5% Special Refundable Tax	24,927	21,000
	<u>\$ 182,712,147</u>	<u>\$ 164,339,056</u>

NOTE: Canadian and Provincial Government Bonds are carried at amortized cost. Other securities are carried at amortized cost less reserves, which in total is substantially the same as quoted market values.

TOTAL BUSINESS UNDER ADMINISTRATION

Estates, Trusts and Agencies—Cash, Securities and other Assets	\$ 86,851,893	\$ 76,186,048
Capital and Guaranteed Trust Account Assets	182,712,147	164,339,056
	<u>\$ 269,564,040</u>	<u>\$ 240,525,104</u>

Attested: J. W. SCOTT, Chairman of the Board

W. A. BEAN, C.B.E., President and General Manager

LIABILITIES

	1967	1966
Guaranteed Trust Account		
Savings Deposits	\$ 73,299,018	\$ 68,607,647
Guaranteed Investment Certificates	99,057,547	85,731,101
	<u>172,356,565</u>	<u>154,338,748</u>
Dividend Payable	99,000	99,000
Income Taxes Payable	—	179,031
Mortgage Reserve	1,508,000	1,142,000
	<u>173,963,565</u>	<u>155,758,779</u>

CAPITAL

Capital Stock		
Authorized —		
60,000 preference shares of \$20 par value		
760,000 common shares of \$5 par value		
Issued and fully paid —		
60,000 6% cumulative, redeemable convertible preference shares, series A	1,200,000	1,200,000
660,000 common shares	3,300,000	3,300,000
General Reserve	4,200,000	4,000,000
Undivided Profits	48,582	80,277
	<u>8,748,582</u>	<u>8,580,277</u>

NOTE: 60,000 unissued common shares are reserved for the right of conversion attaching to the preference shares and 38,555 unissued common shares are reserved for employee stock options of which 6,525 are outstanding at \$19.00 per share.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the Balance Sheet of The Waterloo Trust and Savings Company as at December 31st, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The assets held for Guaranteed Trust Account and for Estates, Trusts and Agencies are kept separate from the Company's own assets and are so designated on the books of the Company as to show the accounts to which they belong.

In our opinion the accompanying Balance Sheet presents fairly the financial position of the Company as at December 31st, 1967.

KITCHENER, January 23rd, 1968.

CLARKSON, GORDON & CO.
Chartered Accountants

STATEMENT OF EARNINGS AND UNDIVIDED PROFITS

Operating income	1967	1966
Interest from mortgages	\$ 6,620,626	\$ 5,711,815
Interest from securities and secured loans	3,945,307	3,478,021
Dividends from stocks	190,760	162,501
Fees and commissions	732,969	663,226
Other operating income	208,960	212,342
	<u>11,698,622</u>	<u>10,227,905</u>
Operating expenses		
Interest on savings deposits	2,337,249	2,080,106
Interest on guaranteed investment certificates	5,138,549	4,250,063
Salaries, pension fund contributions and other staff benefits	1,593,757	1,402,303
Other operating expenses	1,009,254	799,280
Provision for depreciation	100,000	106,000
	<u>10,178,809</u>	<u>8,637,752</u>
Operating earnings before income taxes	1,519,813	1,590,153
Income taxes applicable to operating earnings	681,900	739,949
Net operating earnings	837,913	850,204
Net profit or <i>loss</i> on security transactions after income tax reductions of \$277,580 in 1967 and \$12,269 in 1966	34,572	2,177
Net earnings including security transactions	<u>872,485</u>	<u>848,027</u>
Addition to mortgage and investment reserves		
Mortgage reserve	366,000	309,000
Income tax <i>reduction</i> thereon	190,320	160,680
Investment reserve	110,000	210,000
	<u>285,680</u>	<u>358,320</u>
Net earnings	<u>586,805</u>	<u>489,707</u>
Dividends declared during year		
Preference shares \$1.20 <i>per share</i>	72,000	—
Common shares \$.50 + .025 <i>per share</i>	346,500	346,500
	<u>418,500</u>	<u>346,500</u>
Undivided profits for the year	168,305	143,207
Undivided profits, January 1st	80,277	137,070
	<u>248,582</u>	<u>280,277</u>
Transfer to general reserve	200,000	200,000
Undivided profits, December 31st	<u>\$ 48,582</u>	<u>\$ 80,277</u>

BOARD OF DIRECTORS

* W. A. BEAN, C.B.E., Waterloo
President and General Manager

G. M. BRAY, Q.C., Kitchener
Bray, Schofield, Mackay and Kelly

D. W. BROWN, Kitchener
President and General Manager, General Spring Products Limited

GEORGE H. DOBBIE, Galt
President, The Dobbie Industries Limited

W. W. FOOT, Waterloo, *President and General Manager,
The Economical Mutual Insurance Company*

W. HOWARD HEMPHILL, Stratford,
President and General Manager, Imperial Furniture Mfg. Co. Limited

* P. R. HILBORN, Preston, Vice-President
Director, The Equitable Life Insurance Company of Canada

KENNETH R. MACGREGOR, F.S.A., Waterloo
President, The Mutual Life Assurance Company of Canada

H. S. MATTHEWS, Guelph

* H. L. McCULLOCH, Galt, Vice-President
Chairman of the Board, Gore Mutual Insurance Company

W. J. MCGIBBON, Q.C., Waterloo
McGibbon, Harper and Haney

D. MCINTOSH, Galt, *President and Managing Director,
Gore Mutual Insurance Company*

JOHN E. MOTZ, Kitchener
President, Kitchener-Waterloo Record Limited

C. A. POLLOCK, Kitchener
President, Electrohome Limited

G. ERNEST ROBERTSON, Guelph
Director, Beatty Bros. Limited

E. G. SCHAFER, Kitchener
President, The Dominion Life Assurance Company

* J. W. SCOTT, Kitchener, Chairman of the Board

J. E. F. SEAGRAM, Waterloo
President, Joseph E. Seagram & Sons Limited

T. B. SEAGRAM, Waterloo
Vice-President, Canada Barrels & Kegs Limited

* J. K. SIMS, Q.C., Kitchener
Sims, Bauer, Sims and Giffen

M. J. SMITH, Waterloo, *Chairman of the Board,
The Equitable Life Insurance Company of Canada*

A. S. UPTON, Kitchener
Director, The Dominion Life Assurance Company

C. N. WEBER, Waterloo
President, C. N. Weber Limited

P. V. WILSON, Waterloo, Honorary President,
Director, The Waterloo Mutual Insurance Company

* Member of the Executive Committee

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THE WATERLOO TRUST AND SAVINGS COMPANY

TEN YEAR COMPARATIVE SUMMARY

<i>December 31st</i>	1967	1966	1965	1964
Savings Deposits	\$ 73,299,000	\$ 68,608,000	\$ 67,638,000	\$ 62,794,000
Guaranteed Investment Certificates ..	99,057,000	85,731,000	70,216,000	59,071,000
Capital Funds	8,748,000	8,580,000	7,237,000	7,107,000
Estates, Trusts and Agencies	86,852,000	76,186,000	71,829,000	62,141,000
Total Business Under Administration	269,564,000	240,525,000	218,029,000	191,860,000
<i>Total for Year Ended December 31st *</i>				
Operating Earnings before Income Taxes	\$ 1,519,813	\$ 1,590,153	\$ 1,037,815	\$ **935,982
Income Taxes applicable to Operating Earnings	681,900	739,949	578,500	**414,000
Net Operating Earnings	837,913	850,204		
Net Earnings *	586,805	489,707	459,315	421,982
Dividends Declared	418,500	346,500	330,000	296,348
<i>Per Common Share after Preference Share Dividends *</i>				
Based on the following number of Common shares outstanding	660,000	660,000	660,000	660,000
Net Operating Earnings	1.16	1.29		
Net Earnings * .....	.78	.74	.70	.64
Dividends Declared .....	.52½	.52½	.50	.45

*The method of presentation of earnings and income taxes for 1966 and subsequent years is based on operating results prior to addition to reserves and security transactions. Earnings for 1965 and prior years are net results after addition to reserves and security transactions and the income taxes are based thereon.

1963	1962	1961	1960	1959	1958
\$ 54,653,000	\$ 47,292,000	\$ 42,694,000	\$ 37,315,000	\$ 34,552,000	\$ 33,746,000
50,265,000	43,928,000	34,517,000	28,444,000	21,468,000	17,691,000
6,892,000	5,362,000	4,854,000	4,204,000	4,100,000	4,000,000
54,191,000	49,264,000	44,638,000	40,212,000	35,931,000	32,043,000
166,784,000	146,515,000	127,228,000	110,625,000	96,422,000	87,766,000
\$ 838,364	\$ 749,282	\$ 609,664	\$ 546,427	\$ 528,381	\$ 454,137
507,000	432,000	322,000	264,500	253,400	203,800
331,364	317,282	287,664	281,927	274,981	250,337
223,435	209,687	187,500	178,125	175,000	175,000
550,000	550,000	500,000	500,000	500,000	500,000
.60	.58	.58	.56	.55	.50
.41	.38	.37	.36	.35	.35

****During 1964, income taxes otherwise payable were reduced by \$134,000 due to a special past service contribution to the Pension Plan (1964) of \$100,000 from 1964 earnings and \$157,000 from pension reserves established in prior years.**

THE WATERLOO TRUST AND SAVINGS COMPANY

EXECUTIVE OFFICERS

J. W. SCOTT, *Chairman of the Board*
W. A. BEAN, C.B.E., *President and General Manager*
P. R. HILBORN, *Vice-President*
H. L. McCULLOCH, *Vice-President*
R. W. AUGER, *Assistant General Manager and Secretary*
M. L. LAHN, *Assistant General Manager and Treasurer*
H. A. SYER, *Assistant General Manager, Estates and Trusts*

DEPARTMENTAL MANAGERS AND OFFICERS

D. G. STATTERS, *Savings Superintendent*
A. M. WILSON, *Manager Business Development*
H. C. SHANTZ, *Manager Mortgage Department
and Associate Treasurer*
H. P. VOGT, *Manager Mortgage Administration*
R. C. DAHMER, C.A., *Comptroller*
J. T. HILL, C.A., *Associate Treasurer*
MRS. G. S. HALL, *Public Relations Officer*
J. D. COLEMAN, *Legal Officer*
H. A. HENRICH, *Manager Real Estate Department*
P. L. RASON, *Manager Investment Securities*

ESTATES AND TRUSTS DEPARTMENT

C. J. REMPEL, *Assistant Manager*
J. T. OSBOURNE, *Assistant Manager*
L. S. O'BRIAN, *Personal Trust Officer*
B. DRENTH, *Corporate Trust Officer*
P. L. STUMPF, *Accountant*

Trust Officers:

H. G. GORDON
J. R. GUY
J. R. HERMAN
I. M. MARR
V. R. WOOLNER

OFFICES

HEAD OFFICE — 305 King Street West, Kitchener
KITCHENER — Head Office, Savings Department
D. LADANO, *Manager*
King & Ontario, 69 King Street West
W. J. D. STEWART, *Manager*
Westmount, 693 Belmont Boulevard
C. W. STUART, *Manager*
Forest Hill, 421 Greenbrook Drive
M. E. HENNING, *Manager*
Fairview Park, Fairway Road
J. R. WILKEN, *Manager*
WATERLOO — 8 Erb Street West
G. T. VOGT, *Manager*
GALT — 44 Main Street
W. L. KNIGHT, *Manager*
A. H. PARSONS, *Manager Mortgage and Real Estate*
D. S. BARRIE, *Trust Officer*
PRESTON — 602 King Street East
J. W. LITTLE, *Manager*
ELMIRA — 57 Arthur Street
E. S. GASCHO, *Manager*
GUELPH — 118 Wyndham Street
W. L. McCORD, *Manager*
FERGUS — St. Andrew Street
W. F. THOMS, *Manager*

THE WATERLOO TRUST AND SAVINGS COMPANY

OUR SERVICES

The installation of an On-Line Savings System in all our offices, a "first" for Waterloo Trust, marks the transition to computer accounting which will shortly encompass all our services. The equipment relieves our staff of non-productive, time-consuming chores, freeing them to serve you with greater efficiency and accuracy, and giving you the convenience of dealing at any of our offices.

INVESTMENT FUNDS

Either equity or fixed income funds. No loading charges. Our funds have had an impressive growth record.

GUARANTEED INVESTMENT CERTIFICATES

A time-honoured, trustee-approved investment now paying historically-high interest.

ESTATE PLANNING

Let us help you plan your will to ensure minimal succession duties and estate taxes and to best protect your family's interest.

EXECUTOR

A corporate executor provides many advantages - permanence, group judgment, experience and accounting facilities - at no extra cost.

INVESTMENT AGENCIES AND LIVING TRUSTS

As your agent, our Investment Department will supervise and manage your investment portfolio and do your bookkeeping.

COMPANY PENSION AND PROFIT-SHARING PLANS

As trustee we administer millions of dollars of these funds.

RETIREMENT SAVINGS PLANS

Our Retirement Savings Plan benefits you by giving income tax deductions NOW and uses the savings to build a retirement pension fund.

DEPOSIT ACCOUNTS

To save for a major purpose, deposit regularly in a deposit account. With no chequing cost, these accounts earn high interest on either monthly or half-yearly balances (whichever pays you more).

SAVINGS ACCOUNTS

Avoid carrying cash - use a savings account with chequing privileges. Interest paid half-yearly.

MORTGAGES

To purchase, build, re-finance or renovate, get a mortgage from us.

PERSONAL LOANS

When you need money - borrow where you save - at Waterloo Trust. No hidden charges. Convenient re-payment schedule.

REAL ESTATE

To buy or sell property, get in touch with our Real Estate department.

INVESTMENT SECURITIES

Let us buy and sell stocks, bonds and debentures for you.

TRUSTEE AND TRANSFER AGENT

We act as Trustee for bond issues and transfer agent for stock issues.

SAVINGS CERTIFICATES

A \$10 certificate costs only \$7.30 and can be cashed when needed.

CHRISTMAS and VACATION CLUBS

SAFE DEPOSIT BOXES - SAFE-KEEPING SERVICES

TRAVELLERS CHEQUES

Safe money for your trip.

